As filed with the Securities and Exchange Commission on March 15, 2010

Registration No. 333-

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

MAGNACHIP SEMICONDUCTOR LLC

(to be converted into MagnaChip Semiconductor Corporation)
(Exact name of Registrant as specified in its charter)

Delaware	3674	26-1815025
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

c/o MagnaChip Semiconductor S.A.
74, rue de Merl, B.P. 709 L-2146 Luxembourg R.C.S.
Luxembourg B97483
(352) 45-62-62
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer ☑ (Do not check if a smaller reporting company)	Smaller reporting company o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common Stock, par value $0.01 per share Depositary Shares(2)	$250,000,000	$17,825.00

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o). Includes shares of common stock that the underwriters have an option to purchase.

(2) All of the shares of common stock sold in this offering will be sold in the form of depositary shares. Each depositary share will be issued under a deposit agreement, will represent an interest in a share of common stock and will be evidenced by a depositary receipt. days after the effective date of this registration statement, each holder of depositary shares will be credited with a number of shares of common stock equal to the number of depositary shares held by such holder on that date, and the depositary shares will be canceled. Until such cancellation of the depositary shares, holders of depositary shares will be entitled to all proportional rights and preferences of the shares of common stock.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Subject to Completion. Dated March 15, 2010

MagnaChip Semiconductor Corporation

Depositary Shares

Representing Shares of Common Stock

This is the initial public offering of common stock of MagnaChip Semiconductor Corporation. MagnaChip Semiconductor Corporation is offering shares of common stock. The selling stockholders identified in this prospectus are offering shares of common stock. We will not receive any of the proceeds from the sale of the shares by the selling stockholders.

All of the shares of common stock sold in this offering will be sold in the form of depositary shares. Each depositary share represents an ownership interest in one share of common stock. On , 2010 (days after the date of this prospectus), each holder of depositary shares will be credited with a number of shares of common stock equal to the number of depositary shares held by such holder on that date, and the depositary shares will be canceled. Until the cancellation of the depositary shares on , 2010, holders of depositary shares will be entitled to all proportional rights and preferences of the shares of common stock.

Prior to this offering, there has been no public market for our depositary shares or our common stock. We currently estimate that the initial public offering price per depositary share will be between $ and $. We intend to apply for listing of the depositary shares and the common stock on the New York Stock Exchange under the symbol “MX.”

See “Risk Factors” beginning on page 16 to read about factors you should consider before buying the depositary shares and shares of the common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per depositary share	Total
Initial public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses to MagnaChip Semiconductor Corporation	$	$
Proceeds, before expenses to Selling Stockholders	$	$

To the extent that the underwriters sell more than depositary shares, the underwriters have the option to purchase up to an additional depositary shares from us and up to an additional depositary shares from the selling stockholders at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the depositary shares against payment in New York, New York on , 2010.

Goldman, Sachs & Co. **Barclays Capital** **Deutsche Bank Securities**

Citi **UBS Investment Bank**

Prospectus dated , 2010

Table of Contents

MagnaChip

| MagnaChip Everywhere |

Analog and Mixed Signal Semiconductors and Manufacturing Services for High-Volume Applications

Products shown in this prospectus are representative of the customer electronics products that include semiconductors of the type manufactured by us. The depiction of such products is not meant to suggest that our semiconductors are included in any of the specific products shown.

TABLE OF CONTENTS

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before deciding to invest in our common stock. You should read this entire prospectus carefully, including the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections contained in this prospectus and our consolidated financial statements before making an investment decision. In this prospectus, unless the context otherwise requires, the terms "we," "us," "our" and "MagnaChip" refer to MagnaChip Semiconductor LLC and its consolidated subsidiaries for the periods prior to the consummation of the corporate conversion (as described below), and such terms refer to MagnaChip Semiconductor Corporation and its consolidated subsidiaries for the periods after the consummation of the corporate conversion. The term "Korea" refers to the Republic of Korea or South Korea. All references to shares of common stock being sold in this offering include shares held in the form of depositary shares, as described under "Description of Depositary Shares."

Immediately prior to the effectiveness of the registration statement of which this prospectus is a part, we will complete a number of transactions pursuant to which MagnaChip Semiconductor Corporation will succeed to the business of MagnaChip Semiconductor LLC and its consolidated subsidiaries and the members of MagnaChip Semiconductor LLC will become stockholders of MagnaChip Semiconductor Corporation. In this prospectus, we refer to such transactions as the corporate conversion.

Overview

MagnaChip is a Korea-based designer and manufacturer of analog and mixed-signal semiconductor products for high-volume consumer applications. We believe we have one of the broadest and deepest analog and mixed-signal semiconductor technology platforms in the industry, supported by our 30-year operating history, large portfolio of approximately 3,600 novel registered and pending patents and extensive engineering and manufacturing process expertise. Our business is comprised of three key segments: Display Solutions, Power Solutions and Semiconductor Manufacturing Services. Our Display Solutions products include display drivers for use in a wide range of flat panel displays and mobile multimedia devices. Our Power Solutions products include discrete and integrated circuit solutions for power management in high-volume consumer applications. Our Semiconductor Manufacturing Services segment provides specialty analog and mixed-signal foundry services for fabless semiconductor companies that serve the consumer, computing and wireless end markets.

Our wide variety of analog and mixed-signal semiconductor products and manufacturing services combined with our deep technology platform allows us to address multiple high-growth end markets and to rapidly develop and introduce new products and services in response to market demands. Our substantial manufacturing operations in Korea and design centers in Korea and Japan place us at the core of the global consumer electronics supply chain. We believe this enables us to quickly and efficiently respond to our customers' needs and allows us to better service and capture additional demand from existing and new customers.

We have a long history of supplying and collaborating on product and technology development with leading innovators in the consumer electronics market. As a result, we have been able to strengthen our technology platform and develop products and services that are in high demand by our customers and end consumers. We sold over 2,300 distinct products to over 185 customers for the year ended December 31, 2009, with a substantial portion of our revenues derived from a concentrated number of customers, including LG Display, Sharp and Samsung. Our largest semiconductor manufacturing services customers include some of the fastest growing and leading semiconductor companies that design analog and mixed-signal products for the consumer, computing and wireless end markets. For 2009 on an a combined pro forma basis, we generated net sales of

$560.1 million, income from continuing operations of $66.0 million, Adjusted EBITDA of $98.7 million and Adjusted Net Income of $53.0 million. See “Unaudited Pro Forma Consolidated Financial Information” beginning on page 46 for an explanation regarding our pro forma presentation and “— Summary Historical and Unaudited Pro Forma Consolidated Financial Data,” beginning on page 8 for an explanation of our use of Adjusted EBITDA and Adjusted Net Income.

Our business is largely driven by innovation in the consumer electronics markets and the growing adoption by consumers worldwide of electronic devices for use in their daily lives. The consumer electronics market is large and growing rapidly, largely due to consumers increasingly accessing a wide variety of available rich media content, such as high definition audio and video, mobile television and games on advanced consumer electronic devices. According to Gartner, production of liquid crystal display, or LCD televisions, smartphones, mobile personal computers, or PCs, and mini-notebooks is expected to grow from 2009 to 2013 by a compound annual growth rate of 12%, 36%, 24%, and 20%, respectively. Electronics manufacturers are continuously implementing advanced technologies in new generations of electronic devices using analog and mixed-signal semiconductor components, such as display drivers that enable display of high resolution images, encoding and decoding devices that allow playback of high definition audio and video, and power management semiconductors that increase power efficiency, thereby reducing heat dissipation and extending battery life. According to iSuppli Corporation, in 2009, the display driver semiconductor market was $6.0 billion and the power management semiconductor market was $21.9 billion.

Our Products and Services

Our Display Solutions products include source and gate drivers and timing controllers that cover a wide range of flat panel displays used in LCD televisions and light emitting diode, or LED, televisions and displays, mobile PCs and mobile communications and entertainment devices. Our display solutions support the industry's most advanced display technologies, such as low temperature polysilicon, or LTPS, and active matrix organic light emitting diode, or AMOLED, as well as high-volume display technologies such as thin film transistor, or TFT.

We expanded our business and market opportunity by establishing our Power Solutions business in late 2007. We have introduced a number of products for power management applications, including metal oxide semiconductor field effect transistors, or MOSFETs, analog switches, LED drivers, DC-DC converters and linear regulators for a range of devices, including LCD and LED digital televisions, mobile phones, computers and other consumer electronics products.

We offer semiconductor manufacturing services to fabless analog and mixed-signal semiconductor companies that require differentiated, specialty analog and mixed-signal process technologies. We believe the majority of our top twenty semiconductor manufacturing services customers use us as their primary manufacturing source for the products that we manufacture for them. Our process technologies are optimized for analog and mixed-signal devices and include standard complementary metal-oxide semiconductor, or CMOS, high voltage CMOS, ultra-low leakage high voltage CMOS and bipolar complementary double-diffused metal oxide semiconductor, or BCDMOS. Our semiconductor manufacturing services customers use us to manufacture a wide range of products, including display drivers, LED drivers, audio encoding and decoding devices, microcontrollers, electronic tags and power management semiconductors.

We manufacture all of our products at our three fabrication facilities located in Korea. We have approximately 200 proprietary process flows we can utilize for our products and offer to our semiconductor manufacturing services customers. Our manufacturing base serves both our display driver and power management businesses and semiconductor manufacturing services customers, allowing us to optimize our asset utilization and leverage our investments across our product and service offerings. Analog and mixed-signal manufacturing facilities and processes are typically

distinguished by design and process implementation expertise rather than the use of the most advanced equipment. As a result, our manufacturing base and strategy does not require substantial investment in leading edge process equipment, allowing us to utilize our facilities and equipment over an extended period of time with moderate required capital investments.

Our Competitive Strengths

We believe our strengths include:

- Broad and advanced analog and mixed-signal semiconductor technology and intellectual property platform that allows us to develop new products and meet market demands quickly;
- Established relationships and close collaboration with leading global consumer electronics companies, which enhance our visibility into new product opportunities, markets and technology trends;
- Longstanding presence of our management, personnel and manufacturing base in Asia and proximity to our largest customers and to the core of the global consumer electronics supply chain, which allows us to respond rapidly and efficiently to our customers' needs;
- Flexible, service-oriented culture and approach to customers;
- Distinctive analog and mixed-signal process technology and manufacturing expertise; and
- Manufacturing facilities with specialty processes and a low-cost operating structure, which allow us to maintain price competitiveness across our product and service offerings.

Our Strategy

Our objective is to grow our business and to continue to strengthen our position as a leading provider of analog and mixed-signal semiconductor products and services for high-volume consumer applications. Our business strategy emphasizes the following key elements:

- Leverage our advanced analog and mixed-signal technology platform to continuously innovate and deliver products with high levels of performance and integration, as well as to expand our technology offerings within our target markets, such as our power management products;
- Increase business with our global customer base of leading consumer electronics original equipment manufacturers, or OEMs, and fabless companies by collaborating on critical design, product and manufacturing process development and leveraging our deep knowledge of customer needs;
- Broaden our customer base by expanding our global design centers and local application engineering support and sales presence, particularly in China and other high-growth regions;
- Aggressively grow our power management product portfolio business by introducing new products, expanding distribution and cross-selling products to our existing customers;
- Drive execution excellence in new product development, manufacturing efficiency and quality, customer service and personnel development; and
- Optimize asset utilization and return on capital investments by maintaining our focus on specialty process technologies that do not require substantial investment in leading edge

process equipment and by utilizing our manufacturing facilities for both our display driver and power management businesses and manufacturing services customers.

Recent Changes To Our Business

We have executed a significant restructuring over the last 18 months that refocused our business strategy, enhanced our operating efficiency and improved our cash flow and profitability. By closing our Imaging Solutions business, restructuring our balance sheet and refining our business processes and strategy, we believe we have made significant structural improvements to our operating model and have enabled better flexibility to manage our business through fluctuations in the economy and our markets.

Specifically, our business optimization initiatives included:

- Closing our Imaging Solutions business, which had been a source of substantial ongoing operating losses amounting to $91.5 million and $51.7 million in 2008 and 2007, respectively, and which required substantial ongoing capital investment;
- Reducing our indebtedness from $845 million immediately prior to the effectiveness of our plan of reorganization to $61.8 million as of December 31, 2009;
- Streamlining our cost structure to reduce ongoing fixed and variable expenses;
- Entering into a hedging program to mitigate the impact of currency fluctuation on our financial results; and
- Focusing on major customers, key product lines, growth segments and areas of competitive differentiation.

Risks Related to Our Company

Investing in our company entails a high degree of risk, including those summarized below and those more fully described in the “Risk Factors” section beginning on page 16 of this prospectus. You should consider carefully these risks before deciding to invest in our common stock.

- We have a history of losses and may not be profitable in the future;
- On June 12, 2009, we filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code and our plan of reorganization became effective on November 9, 2009;
- In connection with our audit for the ten-month period ended October 25, 2009 and the two-month period ended December 31, 2009, our auditors identified two control deficiencies which represent a material weakness in our internal control over financial reporting; if we fail to effectively remediate this weakness, the accuracy and timing of our financial reporting may be adversely affected;
- The cyclical nature of the semiconductor industry may limit our ability to maintain or increase net sales and profit levels during industry downturns;
- If we fail to develop new products and process technologies or enhance our existing products and services in order to react to rapid technological change and market demands, our business will suffer;

- A significant portion of our sales comes from a relatively limited number of customers and the loss of any of such customers or a significant decrease in sales to any of such customers would harm our revenue and gross profit;
- The average selling prices of our semiconductor products have at times declined rapidly and will likely do so in the future, which could harm our revenue and gross profit; and
- Upon completion of this offering, our largest stockholder, consisting of affiliated funds of Avenue Capital Management II, L.P., will control approximately % of our outstanding common stock, assuming no exercise by the underwriters of their option to purchase additional shares.

Corporate Information

Prior to the closing of this offering, MagnaChip Semiconductor LLC will convert from a Delaware limited liability company to a Delaware corporation. We refer to this as the corporate conversion. In connection with the corporate conversion, each common unit of MagnaChip Semiconductor LLC will be converted into shares of common stock of MagnaChip Semiconductor Corporation, the members of MagnaChip Semiconductor LLC will become stockholders of MagnaChip Semiconductor Corporation and MagnaChip Semiconductor Corporation will succeed to the business of MagnaChip Semiconductor LLC and its consolidated subsidiaries. See “Corporate Conversion” for further information regarding the corporate conversion.

Our principal executive offices are located at: c/o MagnaChip Semiconductor S.A., 74, rue de Merl, B.P. 709 L-2146 Luxembourg R.C.S., Luxembourg B97483, and our telephone number is (352) 45-62-62. Our website address is *www.magnachip.com*. You should not consider the information contained on our website to be part of this prospectus or in deciding whether to purchase shares of our common stock.

Our business was named MagnaChip Semiconductor when it was acquired from Hynix Semiconductor, Inc., or Hynix, in October 2004. We refer to this acquisition as the Original Acquisition.

On June 12, 2009, MagnaChip Semiconductor LLC, along with certain of its subsidiaries, including MagnaChip Semiconductor S.A., filed a voluntary petition for relief in the United States Bankruptcy Court for the District of Delaware under Chapter 11 of the United States Bankruptcy Code, which we refer to as the reorganization proceedings. On November 9, 2009, our plan of reorganization became effective and we emerged from the reorganization proceedings. On that date, a new board of directors of MagnaChip Semiconductor LLC was appointed, MagnaChip Semiconductor LLC’s previously outstanding common and preferred units, and options were cancelled, MagnaChip Semiconductor LLC issued approximately 300 million common units and warrants to purchase 15 million common units to two classes of creditors and affiliated funds of Avenue Capital Management II, L.P. became the majority unitholder of MagnaChip Semiconductor LLC. Our Chapter 11 plan of reorganization implemented a comprehensive financial reorganization that significantly reduced our outstanding indebtedness. In this prospectus, we refer to funds affiliated with Avenue Capital Management II, L.P. collectively as Avenue.

The Offering

Shares offered by us	shares in the form of depositary shares
Shares offered by selling stockholders	shares in the form of depositary shares
Shares offered by us pursuant to the underwriters' option to purchase additional shares	shares in the form of depositary shares(1)
Shares offered by the selling stockholders pursuant to the underwriters' option to purchase additional shares	shares in the form of depositary shares(1)
Shares of common stock to be outstanding after this offering	shares
Use of proceeds	We intend to use the net proceeds received by us in connection with this offering to make employee incentive payments, to fund working capital and for general corporate purposes. We will not receive any proceeds from the sale of shares of common stock offered by the selling stockholders, including upon the sale of shares if the underwriters exercise their option to purchase additional shares from the selling stockholder in this offering.
Risk factors	See "Risk Factors" and the other information included in this prospectus for a discussion of the factors you should consider carefully before deciding to invest in shares of our common stock.
Dividend policy	We do not anticipate paying any cash dividends on our common stock after this offering.
Depositary shares	All of the shares of common stock sold in this offering will be sold in the form of depositary shares. Each depositary share represents an ownership interest in one share of common stock. On , 2010 (days after the date of this prospectus), each holder of depositary shares will be credited with a number of shares of common stock equal to the number of depositary shares held by such holder on that date, and the depositary shares will be canceled. Until the cancellation of the depositary shares on , 2010, holders of depositary shares will be entitled to all proportional rights and preferences of the shares of common stock. This offering has been structured using depositary shares to enable the selling stockholders to obtain the preferred income tax treatment for the corporate conversion. For more information regarding the depositary shares, see "Description of Depositary Shares."
Depositary	American Stock Transfer & Trust Company, LLC
Proposed New York Stock Exchange symbol	MX

(1) We have provided the underwriters an option to purchase up to additional depositary shares and the selling stockholders have provided the underwriters an option to purchase up to

additional depositary shares. If the underwriters exercise their option to purchase additional shares, we will not receive any of the proceeds from the additional sale of depositary shares by the selling stockholders.

The number of shares of our common stock outstanding after this offering is based on common units of MagnaChip Semiconductor LLC outstanding as of the date of this prospectus and:

- reflects the consummation of the corporate conversion, pursuant to which all of the outstanding common units of MagnaChip Semiconductor LLC will be automatically converted into shares of our common stock at a ratio of and all of the outstanding options and warrants to purchase common units of MagnaChip Semiconductor LLC will be automatically converted into options and warrants to purchase shares of our common stock;
- excludes shares of our common stock reserved for issuance upon exercise of warrants to purchase common units of MagnaChip Semiconductor LLC outstanding as of at a weighted average exercise price of per share, assuming the conversion of all such warrants into warrants to purchase shares of our common stock at a ratio of ;
- excludes shares of our common stock reserved for issuance upon exercise of options to purchase common units of MagnaChip Semiconductor LLC outstanding as of at a weighted average exercise price of per share, assuming the conversion of all such options into options to purchase shares of our common stock at a ratio of ; and
- excludes shares of our common stock reserved as of for issuance pursuant to future grants under our 2010 Equity Incentive Plan and 2010 Employee Stock Purchase Plan, which does not include the additional shares which may become available for issuance pursuant to the automatic share reserve increase provisions of such plans described below.

The number of shares authorized for future issuance under our 2010 Equity Incentive Plan and our 2010 Employee Stock Purchase Plan reflected above does not include additional shares that may become available for future issuance pursuant to the automatic share reserve increase provisions of these plans. On January 1 of each year from 2011 through 2020, up to 2% and 1%, respectively, of the shares of our common stock issued and outstanding on the immediately preceding December 31 or, in each case, a lesser amount determined by our board of directors, will be added automatically to the number of shares remaining available for future grants under the 2010 Equity Incentive Plan and the 2010 Employee Stock Purchase Plan.

Unless specifically stated otherwise, the information in this prospectus:

- assumes no exercise of the underwriters' option to purchase up to additional depositary shares from us and up to additional depositary shares from our selling stockholders; and
- assumes an initial public offering price of $ per depositary share, which is the midpoint of the range set forth on the front cover of this prospectus.

Summary Historical and Unaudited Pro Forma Consolidated Financial Data

The following tables set forth summary historical and unaudited pro forma consolidated financial data of MagnaChip Semiconductor LLC (to be converted into MagnaChip Semiconductor Corporation prior to consummation of this offering) on or as of the dates and for the periods indicated. The summary historical and unaudited pro forma consolidated financial data presented below should be read together with "Selected Historical Consolidated Financial and Operating Data," "Unaudited Pro Forma Consolidated Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements, including the notes to those consolidated financial statements appearing elsewhere in this prospectus.

We have derived the summary historical consolidated financial data as of December 31, 2009 and 2008, and for the two-month period ended December 31, 2009, the ten-month period ended October 25, 2009 and the years ended December 31, 2008 and 2007 from the historical audited consolidated financial statements of MagnaChip Semiconductor LLC prepared in accordance with generally accepted accounting principles in the United States, or GAAP, included elsewhere in this prospectus. We have derived the summary historical consolidated financial data as of December 31, 2007 from the historical audited financial statements of MagnaChip Semiconductor LLC not included in this prospectus. The historical results of MagnaChip Semiconductor LLC for any prior period are not necessarily indicative of the results to be expected in any future period.

In connection with our emergence from reorganization proceedings, we implemented fresh-start reporting, or fresh-start accounting, in accordance with applicable Accounting Standards Codification, or ASC 852 governing reorganizations. We elected to adopt a convenience date of October 25, 2009 (a month end for our financial reporting purposes) for application of fresh-start accounting. In accordance with the ASC 852 rules governing reorganizations, we recorded largely non-cash reorganization income and expense items directly associated with our reorganization proceedings including professional fees, the revaluation of assets, the effects of our reorganization plan and fresh-start accounting and write-off of debt issuance costs. As a result of the application of fresh-start accounting, our financial statements prior to and including October 25, 2009 represent the operations of our pre-reorganization predecessor company and are presented separately from the financial statements of our post-reorganization successor company. As a result of the application of fresh-start accounting, the financial statements prior to and including October 25, 2009 are not fully comparable with the financial statements for periods on or after October 26, 2009.

We have prepared the summarized unaudited pro forma financial data for the year ended December 31, 2009 to give pro forma effect to the reorganization proceedings and related events and the corporate conversion, in each case as if they had occurred at the beginning of the period presented with respect to consolidated statements of operations data and as of the balance sheet date with respect to balance sheet data. The summary unaudited pro forma financial data set forth below are presented for informational purposes only, should not be considered indicative of actual results of operations that would have been achieved had the reorganization proceedings and related events and the corporate conversion been consummated on the dates indicated, and do not purport to be indicative of balance sheet data or results of operations as of any future date or for any future period.

	Pro Forma(1)	Historical			
		Successor	Predecessor		
	Year Ended December 31, 2009	Two- Month Period Ended December 31, 2009	Ten- Month Period Ended October 25, 2009	Years Ended December 31, 2008	2007
	(Unaudited)	(In millions, except per common unit/share data) (Audited)		(Audited)	
Statements of Operations Data:					
Net sales	$ 560.1	$ 111.1	$ 449.0	$ 601.7	$ 709.5
Cost of sales	378.9	90.4	311.1	445.3	578.9
Gross profit	181.2	20.7	137.8	156.4	130.7
Selling, general and administrative expenses	71.6	14.5	56.3	81.3	82.7
Research and development expenses	77.3	14.7	56.1	89.5	90.8
Restructuring and impairment charges	0.4	—	0.4	13.4	12.1
Operating income (loss) from continuing operations	31.9	(8.6)	25.0	(27.7)	(54.9)
Interest expense, net	9.4	1.3	31.2	76.1	60.3
Foreign currency gain (loss), net	52.8	9.3	43.4	(210.4)	(4.7)
Reorganization items, net	—	—	804.6	—	—
	43.4	8.1	816.8	(286.5)	(65.0)
Income (loss) from continuing operations before income taxes	$ 75.2	$ (0.5)	$ 841.8	$ (314.3)	$ (120.0)
Income tax expenses	9.2	1.9	7.3	11.6	8.8
Income (loss) from continuing operations	$ 66.0	$ (2.5)	$ 834.5	$ (325.8)	$ (128.8)
Income (loss) from discontinued operations, net of taxes		0.5	6.6	(91.5)	(51.7)
Net income (loss)		(2.0)	841.1	(417.3)	(180.6)
Dividends accrued on preferred units		—	6.3	13.3	12.0
Income (loss) from continuing operations attributable to common units/shares	66.0	(2.5)	828.2	(339.1)	(140.9)
Per common unit/share data:					
Earnings (loss) from continuing operations per common unit/share — Basic and diluted		$ (0.01)	$ 15.65	$ (6.43)	$ (2.69)
Weighted average number of common units/shares — Basic and diluted		300.863	52.923	52.769	52.297
Consolidated Balance Sheet Data (at period end):					
Cash and cash equivalents	$ 64.9	$ 64.9		$ 4.0	$ 64.3
Total assets	453.3	453.3		399.2	707.9
Total indebtedness(2)	61.8	61.8		845.0	830.0
Long-term obligations(3)	61.5	61.5		143.2	879.4
Total unitholders'/stockholders' equity (deficit)	215.7	215.7		(787.8)	(477.5)
Supplemental Data (unaudited):					
Adjusted EBITDA(4)	98.7	22.1	76.6	59.8	111.2
Adjusted Net Income (Loss)(5)	53.0	13.3	9.3	(71.7)	(82.6)

(1) Gives effect to the reorganization proceedings and related events and the corporate conversion. For details regarding these pro forma adjustments, see the notes to the unaudited pro forma condensed consolidated financial information in "Unaudited Pro Forma Consolidated Financial Information."

(2) Total indebtedness is calculated as long and short-term borrowings, including the current portion of long-term borrowings.

(3) Long-term obligations include long-term borrowings, capital leases and redeemable convertible preferred units.

(4) We define Adjusted EBITDA as net income (loss) less income (loss) from discontinued operations, net of taxes, adjusted to exclude (i) depreciation and amortization associated with continuing operations, (ii) interest expense, net, (iii) income tax expense, (iv) restructuring and impairment charges, (v) other restructuring charges, (vi) abandoned IPO expenses, (vii) subcontractor claim settlement, (viii) the increase in cost of sales resulting from the fresh-start accounting inventory step-up, (ix) equity-based compensation expense, (x) reorganization items, net, and (xi) foreign currency gain (loss), net. See the footnotes to the table below for further information regarding these items. In the case of pro forma Adjusted EBITDA, we exclude the items above from income (loss) from continuing operations. We present Adjusted EBITDA as a supplemental measure of our performance because:

- Adjusted EBITDA eliminates the impact of a number of items that may be either one time or recurring that we do not consider to be indicative of our core ongoing operating performance;
- we believe that Adjusted EBITDA is an enterprise level performance measure commonly reported and widely used by analysts and investors in our industry;
- we anticipate that our investor and analyst presentations after we are public will include Adjusted EBITDA; and
- we believe that Adjusted EBITDA provides investors with a more consistent measurement of period to period performance of our core operations, as well as a comparison of our operating performance to that of other companies in our industry.

We use Adjusted EBITDA in a number of ways, including:

- for planning purposes, including the preparation of our annual operating budget;
- to evaluate the effectiveness of our enterprise level business strategies;
- in communications with our board of directors concerning our consolidated financial performance;
- in certain of our compensation plans as a performance measure for determining incentive compensation payments; and
- to measure our compliance with certain covenants in our debt agreements.

We encourage you to evaluate each adjustment and the reasons we consider them appropriate. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses similar to the adjustments in this presentation. Adjusted EBITDA is not a measure defined in accordance with GAAP and should not be construed as an alternative to income from continuing operations, cash flows from operating activities or net income (loss), as determined in accordance with GAAP. A reconciliation of net income (loss) to Adjusted EBITDA is as follows:

	Pro Forma	Historical			
		Successor	Predecessor		
	Year Ended December 31, 2009	Two- Month Period Ended December 31, 2009	Ten- Month Period Ended October 25, 2009	Years Ended December 31, 2008	2007
		(In millions)			
Net income (loss)		$ (2.0)	$ 841.1	$ (417.3)	$ (180.6)
Less: Income (loss) from discontinued operations, net of taxes		0.5	6.6	(91.5)	(51.7)
Income (loss) from continuing operations	66.0	(2.5)	834.5	(325.8)	(128.8)
Adjustments:					
Depreciation and amortization associated with continuing operations	50.6	11.2	37.7	63.8	152.2
Interest expense, net	9.4	1.3	31.2	76.1	60.3
Income tax expense	9.2	1.9	7.3	11.6	8.8
Restructuring and impairment charges(a)	0.4	—	0.4	13.4	12.1
Other restructuring charges(b)	13.3	—	13.3	6.2	—
Abandoned IPO expenses(c)	—	—	—	3.7	—
Subcontractor claim settlement(d)	—	—	—	—	1.3
Reorganization items, net(e)	—	—	(804.6)	—	—
Inventory step-up(f)	—	17.2	—	—	—
Equity-based compensation expense(g)	2.4	2.2	0.2	0.5	0.6
Foreign currency gain (loss), net(h)	(52.8)	(9.3)	(43.4)	210.4	4.7
Adjusted EBITDA	$ 98.7	$ 22.1	$ 76.6	$ 59.8	$ 111.2

(a) This adjustment is comprised of all items included in the restructuring and impairment charges line item on our consolidated statements of operations, and eliminates the impact of restructuring and impairment charges related to (i) for 2009, termination benefits and other related costs, for the ten-month period ended October 25, 2009 in connection with the closure of one of our research and development facilities in Japan, (ii) for 2008, goodwill impairment triggered by the significant adverse change in the revenue of our mobile display solutions, or MDS reporting unit, and a reversal of a portion of the restructuring accrual related to the closure of our Gumi five-inch wafer fabrication facilities in 2007, and (iii) for 2007, the closure of our Gumi five-inch wafer fabrication facilities. We do not believe these restructuring and impairment charges are indicative of our core ongoing operating performance because we do not anticipate similar facility closures and market driven events in our ongoing operations, although we cannot guarantee that similar events will not occur in the future.

(b) This adjustment relates to certain restructuring charges that are not included in the restructuring and impairment charges line item on our consolidated statements of operations. These items are included in selling, general and administrative expenses in our consolidated statements of operations. These charges are comprised of the following: (i) for 2009, a charge of $13.3 million for restructuring-related professional fees and related expenses and (ii) for 2008, a charge of $6.2 million for restructuring-related professional fees and related expenses. We do not believe these other restructuring charges are indicative of our core ongoing operating performance because these charges were related, in significant part, to actions we took in response to the impacts on our business resulting from the global

economic recession that persisted through 2008 and 2009. We cannot guarantee that similar charges will not be incurred in the future.

(c) This adjustment eliminates a $3.7 million charge in 2008 related to expenses incurred in connection with our abandoned initial public offering in 2008. We do not believe that these charges are indicative of our core operating performance. We expect to incur similar costs in connection with this offering.

(d) This adjustment eliminates a $1.3 million charge attributable to a one-time settlement of claims with a subcontractor. We no longer obtain services from this subcontractor and do not expect to incur similar charges in the future.

(e) This adjustment eliminates the impact of largely non-cash reorganization income and expense items directly associated with our reorganization proceedings from our ongoing operations including, among others, professional fees, the revaluation of assets, the effects of the Chapter 11 reorganization plan and fresh-start accounting principles and the write-off of debt issuance costs. Included in reorganization items, net for the period from January 1 to October 25, 2009 was our predecessor's gain recognized from the effects of our reorganization proceedings. The gain results from the difference between our predecessor's carrying value of remaining pre-petition liabilities subject to compromise and the amounts to be distributed pursuant to the reorganization proceedings. The gain from the effects of the reorganization proceedings and the application of fresh-start accounting principles is comprised of the discharge of liabilities subject to compromise, net of the issuance of new common units and new warrants and the accrual of amounts to be settled in cash. For details regarding this adjustment, see note 5 to the consolidated financial statements of MagnaChip Semiconductor LLC for the ten months ended October 25, 2009 and the two months ended December 31, 2009 included elsewhere in this prospectus. We do not believe these items are indicative of our core ongoing operating performance because they were incurred as a result of our Chapter 11 reorganization.

(f) This adjustment eliminates the one-time impact on cost of sales associated with the write-up of our inventory in accordance with the principles of fresh-start accounting upon consummation of the Chapter 11 reorganization.

(g) This adjustment eliminates the impact of non-cash equity-based compensation expenses. Although we expect to incur non-cash equity-based compensation expenses in the future, we believe that analysts and investors will find it helpful to review our operating performance without the effects of these non-cash expenses, as supplemental information.

(h) This adjustment eliminates the impact of non-cash foreign currency translation associated with intercompany debt obligations and foreign currency denominated receivables and payables, as well as the cash impact of foreign currency transaction gains or losses on collection of such receivables and payment of such payables. Although we expect to incur foreign currency translation gains or losses in the future, we believe that analysts and investors will find it helpful to review our operating performance without the effects of these primarily non-cash gains or losses, as supplemental information.

Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;

- Adjusted EBITDA does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;
- Adjusted EBITDA does not consider the potentially dilutive impact of issuing equity-based compensation to our management team and employees;
- Adjusted EBITDA does not reflect the costs of holding certain assets and liabilities in foreign currencies; and
- other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, Adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our GAAP results and using Adjusted EBITDA only supplementally.

(5) We present Adjusted Net Income as a further supplemental measure of our performance. We prepare Adjusted Net Income by adjusting net income (loss) to eliminate the impact of a number of non-cash expenses and other items that may be either one time or recurring that we do not consider to be indicative of our core ongoing operating performance. We believe that Adjusted Net Income is particularly useful because it reflects the impact of our asset base and capital structure on our operating performance.

We present Adjusted Net Income for a number of reasons, including:

- we use Adjusted Net Income in communications with our board of directors concerning our consolidated financial performance;
- we believe that Adjusted Net Income is an enterprise level performance measure commonly reported and widely used by analysts and investors in our industry; and
- we anticipate that our investor and analyst presentations after we are public will include Adjusted Net Income.

Adjusted Net Income is not a measure defined in accordance with GAAP and should not be construed as an alternative to income from continuing operations, cash flows from operating activities or net income (loss), as determined in accordance with GAAP. We encourage you to evaluate each adjustment and the reasons we consider them appropriate. Other companies in our industry may calculate Adjusted Net Income differently than we do, limiting its usefulness as a comparative measure. In addition, in evaluating Adjusted Net Income, you should be aware that in the future we may incur expenses similar to the adjustments in this presentation. We define Adjusted Net Income as net income (loss) less income (loss) from discontinued operations, net of taxes, excluding (i) restructuring and impairment charges, (ii) other restructuring charges, (iii) abandoned IPO expenses, (vi) subcontractor claim settlement, (v) reorganization items, net, (vi) the increase in cost of sales resulting from the fresh-start accounting inventory step-up, (vii) equity based compensation expense, (viii) amortization of intangibles associated with continuing operations, and (ix) foreign currency gain (loss).

The following table summarizes the adjustments to net income (loss) that we make in order to calculate Adjusted Net Income for the periods indicated:

	Pro Forma	Historical			
		Successor	Predecessor		
	Year Ended December 31, 2009	Two- Month Period Ended December 31, 2009	Ten- Month Period Ended October 25, 2009	Years Ended December 31, 2008	2007
		(In millions)			
Net income (loss)		$ (2.0)	$ 841.1	$ (417.3)	$ (180.6)
Less: Income (loss) from discontinued operations, net of taxes		0.5	6.6	(91.5)	(51.7)
Income (loss) from continuing operations	66.0	(2.5)	834.5	(325.8)	(128.8)
Adjustments:					
Restructuring and impairment charges(a)	0.4	—	0.4	13.4	12.1
Other restructuring charges(b)	13.3	—	13.3	6.2	—
Abandoned IPO expenses(c)	—	—	—	3.7	—
Subcontractor claim settlement(d)	—	—	—	—	1.3
Reorganization items, net(e)	—	—	(804.6)	—	—
Inventory step-up(f)	—	17.2	—	—	—
Equity based compensation expense(g)	2.4	2.2	0.2	0.5	0.6
Amortization of intangibles associated with continuing operations(h)	23.6	5.6	8.8	20.0	27.5
Foreign currency gain (loss), net(i)	(52.8)	(9.3)	(43.4)	210.4	4.7
Adjusted Net income (loss)	$ 53.0	$ 13.3	$ 9.3	$ (71.7)	$ (82.6)

(a) This adjustment is comprised of all items included in the restructuring and impairment charges line item on our consolidated statements of operations, and eliminates the impact of restructuring and impairment charges related to (i) for 2009, termination benefits and other related costs, for the ten-month period ended October 25, 2009 in connection with the closure of one of our research and development facilities in Japan, (ii) for 2008, goodwill impairment triggered by the significant adverse change in the revenue of our MDS reporting unit and a reversal of a portion of the restructuring accrual related to the closure of our Gumi five-inch wafer fabrication facilities in 2007, and (iii) for 2007, the closure of our Gumi five-inch wafer fabrication facilities. We do not believe these restructuring and impairment charges are indicative of our core ongoing operating performance because we do not anticipate similar facility closures and market driven events in our ongoing operations, although we cannot guarantee that similar events will not occur in the future.

(b) This adjustment relates to certain restructuring charges that are not included in the restructuring and impairment charges line item on our consolidated statements of operations. These items are included in selling, general and administrative expenses in our consolidated statements of operations. These charges are comprised of the following: (i) for 2009, a charge of $13.3 million for restructuring-related professional fees and related expenses, and (ii) for 2008, a charge of $6.2 million for restructuring-related professional fees and related expenses. We do not believe these other restructuring charges are indicative of our core ongoing operating performance because these charges were related, in significant part, to actions we took in response to the impacts on our business resulting from the global economic recession that persisted through 2008 and 2009. We cannot guarantee that similar charges will not be incurred in the future.

(c) This adjustment eliminates a $3.7 million charge in 2008 related to expenses incurred in connection with our abandoned initial public offering in 2008. We do not believe that these charges are indicative of our core operating performance. We expect to incur similar costs in connection with this offering.

(d) This adjustment eliminates a $1.3 million charge attributable to a one-time settlement of claims with a subcontractor. We no longer obtain services from this subcontractor and do not expect to incur similar charges in the future.

(e) This adjustment eliminates the impact of largely non-cash reorganization income and expense items directly associated with our reorganization proceedings from our ongoing operations including, among others, professional fees, the revaluation of assets, the effects of the Chapter 11 reorganization plan and fresh-start accounting principles and the write-off of debt issuance costs. Included in reorganization items, net for the ten-month period ended October 25, 2009 was our predecessor's gain recognized from the effects of our reorganization proceedings. The gain results from the difference between our predecessor's carrying value of remaining pre-petition liabilities subject to compromise and the amounts to be distributed pursuant to the reorganization proceedings. The gain from the effects of the reorganization proceedings and the application of fresh-start accounting principles is comprised of the discharge of liabilities subject to compromise, net of the issuance of new common units and new warrants and the accrual of amounts to be settled in cash. For details regarding this adjustment, see note 5 to the consolidated financial statements of MagnaChip Semiconductor LLC for the ten months ended October 25, 2009 and the two months ended December 31, 2009

included elsewhere in this prospectus. We do not believe these items are indicative of our core ongoing operating performance because they were incurred as a result of our reorganization proceedings.

(f) This adjustment eliminates the one-time impact on cost of sales associated with the write-up of our inventory in accordance with the principles of fresh-start accounting upon consummation of the Chapter 11 reorganization.

(g) This adjustment eliminates the impact of non-cash equity-based compensation expenses. Although we expect to incur non-cash equity-based compensation expenses in the future, we believe that analysts and investors will find it helpful to review our operating performance without the effects of these non-cash expenses, as supplemental information.

(h) This adjustment eliminates the non-cash impact of amortization expense for intangible assets created as a result of the purchase accounting treatment of the Original Acquisition and other subsequent acquisitions, and from the application of fresh-start accounting in connection with the reorganization proceedings. We do not believe these non-cash amortization expenses for intangibles are indicative of our core ongoing operating performance because the assets would not have been capitalized on our balance sheet but for the application of purchase accounting or fresh-start accounting, as applicable.

(i) This adjustment eliminates the impact of non-cash foreign currency translation associated with intercompany debt obligations and foreign currency denominated receivables and payables, as well as the cash impact of foreign currency transaction gains or losses on collection of such receivables and payment of such payables. Although we expect to incur foreign currency translation gains or losses in the future, we believe that analysts and investors will find it helpful to review our operating performance without the effects of these primarily non-cash gains or losses, as supplemental information.

Adjusted Net Income has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted Net Income does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- Adjusted Net Income does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted Net Income does not consider the potentially dilutive impact of issuing equity-based compensation to our management team and employees;
- Adjusted Net Income does not reflect the costs of holding certain assets and liabilities in foreign currencies; and
- other companies in our industry may calculate Adjusted Net Income differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, Adjusted Net Income should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our GAAP results and using Adjusted Net Income only supplementally.

RISK FACTORS

You should carefully consider the risk factors set forth below as well as the other information contained in this prospectus before investing in our common stock. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. In such a case, the price of our common stock could decline and you could lose all or part of your investment. Additional risks and uncertainties not currently known to us or those currently viewed by us to be immaterial may also materially and adversely affect our business, financial condition or results of operations.

Risks Related to Our Business

We have a history of losses and may not achieve or sustain profitability in the future.

Since we began operations as a separate entity in 2004, we have not generated a profit for a full fiscal year and have generated significant net losses. As of October 25, 2009, prior to our emergence from reorganization proceedings, we had an accumulated deficit of $964.8 million and negative stockholders' equity. We may increase spending and we currently expect to incur higher expenses in each of the next several quarters to support increased research and development and sales and marketing efforts. These expenditures may not result in increased revenue or an increase in the number of customers immediately or at all. Because many of our expenses are fixed in the short term, or are incurred in advance of anticipated sales, we may not be able to decrease our expenses in a timely manner to offset any shortfall of sales.

We recently emerged from Chapter 11 reorganization proceedings; because our consolidated financial statements reflect fresh-start accounting adjustments, our future financial statements will not be comparable in many respects to our financial information from prior periods.

On June 12, 2009, we filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in order to obtain relief from our debt, which was $845 million as of December 31, 2008. Our plan of reorganization became effective on November 9, 2009. In connection with our emergence from the reorganization proceedings, we implemented fresh-start accounting in accordance with ASC 852 effective from October 25, 2009, which had a material effect on our consolidated financial statements. Thus, our future consolidated financial statements will not be comparable in many respects to our consolidated financial statements for periods prior to our adoption of fresh-start accounting and prior to accounting for the effects of the reorganization proceedings. Our past financial difficulties and bankruptcy filing may have harmed, and may continue to have a negative effect on, our relationships with investors, customers and suppliers.

Our independent registered public accounting firm identified two control deficiencies which represent a material weakness in our internal control over financial reporting in connection with our audits for the ten-month period ended October 25, 2009 and the two-month period ended December 31, 2009. If we fail to effectively remediate this weakness and maintain effective internal control over financial reporting in the future, the accuracy and timing of our financial reporting may be adversely affected.

In connection with the audit of our consolidated financial statements for the ten-month period ended October 25, 2009 and the two-month period ended December 31, 2009, our independent registered public accounting firm reported two control deficiencies, which represent a material weakness in our internal control over financial reporting. The two control deficiencies which represent a material weakness that our independent registered public accounting firm reported to our board of directors (as we then did not have a separate audit committee) are that we do not have a sufficient number of financial personnel with the requisite financial accounting experience and that our internal controls over non-routine transactions are not effective to ensure that accounting considerations are identified and appropriately recorded.

As we prepare for the completion of this offering, we have identified and taken steps intended to remediate this material weakness. Upon being notified of the material weakness, we retained the services of an international accounting firm to temporarily supplement our internal resources. We are also in the process of recruiting a director of financial reporting. Any inability to recruit, train and retain adequate finance personnel with requisite technical and public company experience could have an adverse impact on our ability to accurately and timely prepare our consolidated financial statements. If our finance and accounting organization is unable for any reason to respond adequately to the increased demands that will result from being a public company, the quality and timeliness of our financial reporting may suffer, which could result in the identification of additional material weaknesses in our internal control. Any consequences resulting from inaccuracies or delays in our reported financial statements could have an adverse effect on our business, operating results and financial condition, our ability to run our business effectively and our ability to meet our financial reporting requirements, and could cause investors to lose confidence in our financial reporting. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Controls and Procedures.”

We operate in the highly cyclical semiconductor industry, which is subject to significant downturns that may negatively impact our results of operations.

The semiconductor industry is highly cyclical and is characterized by constant and rapid technological change and price erosion, evolving technical standards, short product life cycles (for semiconductors and for the end-user products in which they are used) and wide fluctuations in product supply and demand. From time to time, these and other factors, together with changes in general economic conditions, cause significant upturns and downturns in the industry in general and in our business in particular. Periods of industry downturns, including the current economic downturn, have been characterized by diminished demand for end-user products, high inventory levels, underutilization of manufacturing capacity, changes in revenue mix and accelerated erosion of average selling prices. We have experienced these conditions in our business in the past and may experience renewed, and possibly more severe and prolonged, downturns in the future as a result of such cyclical changes. This may reduce our results of operations.

We base our planned operating expenses in part on our expectations of future revenue, and a significant portion of our expenses is relatively fixed in the short term. If revenue for a particular quarter is lower than we expect, we likely will be unable to proportionately reduce our operating expenses for that quarter, which would harm our operating results for that quarter.

If we fail to develop new products and process technologies or enhance our existing products and services in order to react to rapid technological change and market demands, our business will suffer.

Our industry is subject to constant and rapid technological change and product obsolescence as customers and competitors create new and innovative products and technologies. Products or technologies developed by other companies may render our products or technologies obsolete or noncompetitive, and we may not be able to access advanced process technologies or to license or otherwise obtain essential intellectual property required by our customers.

We must develop new products and services and enhance our existing products and services to meet rapidly evolving customer requirements. We design products for customers who continually require higher performance and functionality at lower costs. We must, therefore, continue to enhance the performance and functionality of our products. The development process for these advancements is lengthy and requires us to accurately anticipate technological changes and market trends. Developing and enhancing these products is uncertain and can be time-consuming, costly and complex. If we do not continue to develop and maintain process technologies that are in demand by our semiconductor manufacturing services customers, we may be unable to maintain existing customers or attract new customers.

Customer and market requirements can change during the development process. There is a risk that these developments and enhancements will be late, fail to meet customer or market specifications or not be competitive with products or services from our competitors that offer comparable or superior performance and functionality. Any new products, such as our new line of power management solutions, which we began marketing in 2008, or product or service enhancements, may not be accepted in new or existing markets. Our business will suffer if we fail to develop and introduce new products and services or product and service enhancements on a timely and cost-effective basis.

We manufacture our products based on our estimates of customer demand, and if our estimates are incorrect our financial results could be negatively impacted.

We make significant decisions, including determining the levels of business that we will seek and accept, production schedules, component procurement commitments, personnel needs and other resource requirements – based on our estimates of customer demand and expected demand for and success of their products. The short-term nature of commitments by many of our customers and the possibility of rapid changes in demand for their products reduces our ability to estimate accurately future customer demand for our products. On occasion, customers may require rapid increases in supply, which can challenge our production resources and reduce margins. We may not have sufficient capacity at any given time to meet our customers' increased demand for our products. Conversely, downturns in the semiconductor industry have caused and may in the future cause our customers to reduce significantly the amount of products they order from us. Because many of our costs and operating expenses are relatively fixed, a reduction in customer demand would decrease our results of operations, including our gross profit.

Our customers may cancel their orders, reduce quantities or delay production, which would adversely affect our margins and results of operations.

We generally do not obtain firm, long-term purchase commitments from our customers. Customers may cancel their orders, reduce quantities or delay production for a number of reasons. Cancellations, reductions or delays by a significant customer or by a group of customers, which we have experienced as a result of periodic downturns in the semiconductor industry or failure to achieve design wins, have affected and may continue to affect our results of operations adversely. These risks are exacerbated because many of our products are customized, which hampers our ability to sell excess inventory to the general market. We may incur charges resulting from the write-off of obsolete inventory. In addition, while we do not obtain long-term purchase commitments, we generally agree to the pricing of a particular product over a set period of time. If we underestimate our costs when determining pricing, our margins and results of operations would be adversely affected.

We depend on high utilization of our manufacturing capacity, a reduction of which could have a material adverse effect on our business, financial condition and the results of our operations.

An important factor in our success is the extent to which we are able to utilize the available capacity in our fabrication facilities. As many of our costs are fixed, a reduction in capacity utilization, as well as changes in other factors such as reduced yield or unfavorable product mix, could reduce our profit margins and adversely affect our operating results. A number of factors and circumstances may reduce utilization rates, including periods of industry overcapacity, low levels of customer orders, operating inefficiencies, mechanical failures and disruption of operations due to expansion or relocation of operations, power interruptions, fire, flood or other natural disasters or calamities. The potential delays and costs resulting from these steps could have a material adverse effect on our business, financial condition and results of operations.

A significant portion of our sales comes from a relatively limited number of customers, the loss of which would adversely affect our financial results.

Historically, we have relied on a limited number of customers for a substantial portion of our total revenue. If we were to lose key customers or if customers cease to place orders for our high-volume products or services, our financial results would be adversely affected. Net sales to our ten largest customers represented 66%, 69% and 63% of our net sales for the two-month period ended December 31, 2009, the ten-month period ended October 25, 2009 and the year ended December 31, 2008, respectively. LG Display represented more than 10% of our net sales and a substantial portion of the net sales generated by our top ten customers for the combined twelve-month period ended December 31, 2009, and for the years ended December 31, 2008 and 2007. Significant reductions in sales to any of these customers, especially our few largest customers, the loss of other major customers or a general curtailment in orders for our high-volume products or services within a short period of time would adversely affect our business.

The average selling prices of our semiconductor products have at times declined rapidly and will likely do so in the future, which could harm our revenue and gross profit.

The semiconductor products we develop and sell are subject to rapid declines in average selling prices. From time to time, we have had to reduce our prices significantly to meet customer requirements, and we may be required to reduce our prices in the future. This would cause our gross profit to decrease. Our financial results will suffer if we are unable to offset any reductions in our average selling prices by increasing our sales volumes, reducing our costs or developing new or enhanced products on a timely basis with higher selling prices or gross profit.

Our industry is highly competitive and our ability to compete could be negatively impacted by a variety of factors.

The semiconductor industry is highly competitive and includes hundreds of companies, a number of which have achieved substantial market share both within our product categories and end markets. Current and prospective customers for our products and services evaluate our capabilities against the merits of our competitors. Some of our competitors are well established as independent companies and have substantially greater market share and manufacturing, financial, research and development and marketing resources than we do. We also compete with emerging companies that are attempting to sell their products in certain of our end markets and with the internal semiconductor design and manufacturing capabilities of many of our significant customers. We expect to experience continuing competitive pressures in our markets from existing competitors and new entrants.

Any consolidation among our competitors could enhance their product offerings and financial resources, further enhancing their competitive position. Our ability to compete will depend on a number of factors, including the following:

- our ability to offer cost-effective and high quality products and services on a timely basis using our technologies;
- our ability to accurately identify and respond to emerging technological trends and demand for product features and performance characteristics;
- our ability to continue to rapidly introduce new products that are accepted by the market;
- our ability to adopt or adapt to emerging industry standards;
- the number and nature of our competitors and competitiveness of their products and services in a given market;
- entrance of new competitors into our markets;
- our ability to enter the highly competitive power management market; and

- our ability to continue to offer in demand semiconductor manufacturing services at competitive prices.

Many of these factors are outside of our control. In the future, our competitors may replace us as a supplier to our existing or potential customers, and our customers may satisfy more of their requirements internally. As a result, we may experience declining revenues and results of operations.

Changes in demand for consumer electronics in our end markets can impact our results of operations.

Demand for our products will depend in part on the demand for various consumer electronics products, in particular, mobile phones and multimedia devices, digital televisions, flat panel displays, mobile PCs and digital cameras, which in turn depends on general economic conditions and other factors beyond our control. If our customers fail to introduce new products that employ our products or component parts, demand for our products will suffer. To the extent that we cannot offset periods of reduced demand that may occur in these markets through greater penetration of these markets or reduction in our production and costs, our sales and gross profit may decline, which would negatively impact our business, financial condition and results of operations.

If we fail to achieve design wins for our semiconductor products, we may lose the opportunity for sales to customers for a significant period of time and be unable to recoup our investments in our products.

We expend considerable resources on winning competitive selection processes, known as design wins, to develop semiconductor products for use in our customers' products. These selection processes are typically lengthy and can require us to incur significant design and development expenditures. We may not win the competitive selection process and may never generate any revenue despite incurring significant design and development expenditures. Once a customer designs a semiconductor into a product, that customer is likely to continue to use the same semiconductor or enhanced versions of that semiconductor from the same supplier across a number of similar and successor products for a lengthy period of time due to the significant costs associated with qualifying a new supplier and potentially redesigning the product to incorporate a different semiconductor. If we fail to achieve an initial design win in a customer's qualification process, we may lose the opportunity for significant sales to that customer for a number of products and for a lengthy period of time. This may cause us to be unable to recoup our investments in our semiconductor products, which would harm our business.

We have lengthy and expensive design-to-mass production and manufacturing process development cycles that may cause us to incur significant expenses without realizing meaningful sales, the occurrence of which would harm our business.

The cycle time from the design stage to mass production for some of our products is long and requires the investment of significant resources with many potential customers without any guarantee of sales. Our design-to-mass production cycle typically begins with a three-to-twelve month semiconductor development stage and test period followed by a three-to-twelve month end-product qualification period by our customers. The fairly lengthy front end of our sales cycle creates a risk that we may incur significant expenses but may be unable to realize meaningful sales. Moreover, prior to mass production, customers may decide to cancel their products or change production specifications, resulting in sudden changes in our product specifications, increasing our production time and costs. Failure to meet such specifications may also delay the launch of our products or result in lost sales.

In addition, we collaborate and jointly develop certain process technologies and manufacturing process flows custom to certain of our semiconductor manufacturing services customers. To the extent that our semiconductor manufacturing services customers fail to achieve market acceptance for

their products, we may be unable to recoup our engineering resources commitment and our investment in process technology development, which would harm our business.

Research and development investments may not yield profitable and commercially viable product and service offerings and thus will not necessarily result in increases in revenues for us.

We invest significant resources in our research and development. Our research and development efforts, however, may not yield commercially viable products or enhance our semiconductor manufacturing services offerings. During each stage of research and development there is a substantial risk that we will have to abandon a potential product or service offering that is no longer marketable and in which we have invested significant resources. In the event we are able to develop viable new products or service offerings, a significant amount of time will have elapsed between our investment in the necessary research and development effort and the receipt of any related revenues.

We face numerous challenges relating to executing our growth strategy, and if we are unable to execute our growth strategy effectively, our business and financial results could be materially and adversely affected.

Our growth strategy is to leverage our advanced analog and mixed-signal technology platform, continue to innovate and deliver new products and services, increase business with existing customers, broaden our customer base, aggressively grow our power business, drive execution excellence and focus on specialty process technologies. As part of our growth strategy, we began marketing a new line of power management semiconductor products in 2008 and expect to introduce other new products and services in the future. If we are unable to execute our growth strategy effectively, we may not be able to take advantage of market opportunities, execute our business plan or respond to competitive pressures. Moreover, if our allocation of resources does not correspond with future demand for particular products, we could miss market opportunities and our business and financial results could be materially and adversely affected.

We are subject to risks associated with currency fluctuations, and changes in the exchange rates of applicable currencies could impact our results of operations.

Historically, a portion of our revenues and greater than the majority of our operating expenses and costs of sales have been denominated in non-U.S. currencies, principally the Korean won, and we expect that this will remain true in the future. Because we report our results of operations in U.S. dollars, changes in the exchange rate between the Korean won and the U.S. dollar could materially impact our reported results of operations and distort period to period comparisons. In particular, because of the difference in the amount of our consolidated revenues and expenses that are in U.S. dollars relative to Korean won, a depreciation in the U.S. dollar relative to the Korean won could result in a material increase in reported costs relative to revenues, and therefore could cause our profit margins and operating income to appear to decline materially, particularly relative to prior periods. The converse is true if the U.S. dollar were to appreciate relative to the Korean won. Fluctuations in foreign currency exchange rates also impact the reporting of our receivables and payables in non-U.S. currencies. Foreign currency fluctuations had a materially beneficial impact on our results of operations in the fiscal year ended December 31, 2008 relative to the fiscal year ended December 31, 2007, as well as in the combined twelve-month period ended December 31, 2009 relative to the fiscal year ended December 31, 2008. As a result of foreign currency fluctuations, it could be more difficult to detect underlying trends in our business and results of operations. In addition, to the extent that fluctuations in currency exchange rates cause our results of operations to differ from our expectations or the expectations of our investors, the trading price of our stock could be adversely affected.

From time to time, we may engage in exchange rate hedging activities in an effort to mitigate the impact of exchange rate fluctuations. For example, in January 2010 our Korean subsidiary entered into foreign currency option and forward contracts in order to mitigate a portion of the impact of U.S. dollar-Korean won exchange rate fluctuations on our operating results. These option and forward contracts require us to sell specified notional amounts in U.S. dollars and provide us the option to sell specified notional amounts in U.S. dollars during each month of 2010 commencing February 2010 to our counterparty, in each case, in exchange for Korean won at specified fixed exchange rates. Obligations under these foreign currency option and forward contracts must be cash collateralized if our exposure exceeds certain specified thresholds. These option and forward contracts may be terminated by the counterparty in a number of circumstances, including if our long-term debt rating falls below B-/B3 or if our total cash and cash equivalents is less than $12.5 million at the end of a fiscal quarter. We cannot assure you that any hedging technique we implement will be effective. If our hedging activities are not effective, changes in currency exchange rates may have a more significant impact on our results of operations. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting our Results of Operations.”

The ongoing economic downturn and recent financial crisis has negatively affected our business and continuing poor economic conditions may negatively affect our future business, results of operations and financial condition.

The ongoing global recession and recent financial crisis has led to slower economic activity, increased unemployment, concerns about inflation and energy costs, decreased business and consumer confidence, reduced corporate profits and capital spending, adverse business conditions and lower levels of liquidity in many financial markets. Consumers and businesses have deferred purchases in response to tighter credit and negative financial news, which has in turn negatively affected product demand and other related matters. The global recession has led to reduced customer spending in the semiconductor market and in our target markets, made it difficult for our customers, our vendors and us to accurately forecast and plan future business activities, and has caused U.S. and foreign businesses to slow spending on our products. Prolonged continuation of this global recession and financial crisis will likely exacerbate these events and could lead to the insolvency of key suppliers resulting in product delays, limit the ability of customers to obtain credit to finance purchases of our products, lead to customer insolvencies, and also result in counterparty failures that may negatively impact our treasury operations. Although recently there have been indications of improved economic conditions generally and in the semiconductor industry specifically, there is no assurance of the extent to which such conditions will continue to improve or whether the improvement will be sustainable. As a result, our business, financial condition and result of operations have been negatively affected and, if the downturn continues, could be materially adversely affected in future periods.

The loss of our key employees would materially adversely affect our business, and we may not be able to attract or retain the technical or management employees necessary to compete in our industry.

Our key executives have substantial experience and have made significant contributions to our business, and our continued success is dependent upon the retention of our key management executives, including our Chief Executive Officer and Chairman, Sang Park. The loss of such key personnel would have a material adverse effect on our business. In addition, our future success depends on our ability to attract and retain skilled technical and managerial personnel. We do not know whether we will be able to retain all of these employees as we continue to pursue our business strategy. The loss of the services of key employees, especially our key design and technical personnel, or our inability to retain, attract and motivate qualified design and technical personnel, could have a material adverse effect on our business, financial condition and results of operations. This could hinder our research and product development programs or otherwise have a material adverse effect on our business.

If we encounter future labor problems, we may fail to deliver our products and services in a timely manner, which could adversely affect our revenues and profitability.

As of January 31, 2010, 2,037 employees, or approximately 64.6% of our employees, were represented by the MagnaChip Semiconductor Labor Union, which is a member of the Federation of Korean Metal Workers Trade Unions. We can offer no assurance that issues with the labor union and other employees will be resolved favorably for us in the future, that we will not experience work stoppages or other labor problems in future years or that we will not incur significant expenses related to such issues.

We may incur costs to engage in future business combinations or strategic investments, and we may not realize the anticipated benefits of those transactions.

As part of our business strategy, we may seek to enter into business combinations, investments, joint ventures and other strategic alliances with other companies in order to maintain and grow revenue and market presence as well as to provide us with access to technology, products and services. Any such transaction would be accompanied by risks that may harm our business, such as difficulties in assimilating the operations, personnel and products of an acquired business or in realizing the projected benefits, disruption of our ongoing business, potential increases in our indebtedness and contingent liabilities and charges if the acquired company or assets are later determined to be worth less than the amount paid for them in an earlier original acquisition. In addition, our indebtedness may restrict us from making acquisitions that we may otherwise wish to pursue.

The failure to achieve acceptable manufacturing yields could adversely affect our business.

The manufacture of semiconductors involves highly complex processes that require precision, a highly regulated and sterile environment and specialized equipment. Defects or other difficulties in the manufacturing process can prevent us from achieving acceptable yields in the manufacture of our products or those of our semiconductor manufacturing services customers, which could lead to higher costs, a loss of customers or delay in market acceptance of our products. Slight impurities or defects in the photomasks used to print circuits on a wafer or other factors can cause significant difficulties, particularly in connection with the production of a new product, the adoption of a new manufacturing process or any expansion of our manufacturing capacity and related transitions. We may also experience manufacturing problems in achieving acceptable yields as a result of, among other things, transferring production to other facilities, upgrading or expanding existing facilities or changing our process technologies. Yields below our target levels can negatively impact our gross profit and may cause us to eliminate underperforming products.

We rely on a number of independent subcontractors and the failure of any of these independent subcontractors to perform as required could adversely affect our operating results.

A substantial portion of our net sales are derived from semiconductor devices assembled in packages or on film. The packaging and testing of semiconductors require technical skill and specialized equipment. For the portion of packaging and testing that we outsource, we use subcontractors located in Korea, China, Taiwan, Malaysia and Thailand. We rely on these subcontractors to package and test our devices with acceptable quality and yield levels. We could be adversely affected by political disorders, labor disruptions, and natural disasters where our subcontractors are located. If our semiconductor packagers and test service providers experience problems in packaging and testing our semiconductor devices, experience prolonged quality or yield problems or decrease the capacity available to us, our operating results could be adversely affected.

We depend on successful parts and materials procurement for our manufacturing processes, and a shortage or increase in the price of these materials could interrupt our operations and result in a decline of revenues and results of operations.

We procure materials and electronic and mechanical components from international sources and original equipment manufacturers. We use a wide range of parts and materials in the production of our semiconductors, including silicon, processing chemicals, processing gases, precious metals and electronic and mechanical components, some of which, such as silicon wafers, are specialized raw materials that are generally only available from a limited number of suppliers. We do not have long-term agreements providing for all of these materials, thus, if demand increases or supply decreases, the costs of our raw materials could significantly increase. For example, worldwide supplies of silicon wafers, an important raw material for the semiconductors we manufacture, have been constrained in recent years due to an increased demand for polysilicon. Polysilicon is also a key raw material for solar cells, the demand for which has increased in recent years. If we cannot obtain adequate materials in a timely manner or on favorable terms for the manufacture of our products, revenues and results of operations will decline.

We face warranty claims, product return, litigation and liability risks and the risk of negative publicity if our products fail.

Our semiconductors are incorporated into a number of end products, and our business is exposed to product return, warranty and product liability risk and the risk of negative publicity if our products fail. Although we maintain insurance for product liability claims, the amount and scope of our insurance may not be adequate to cover a product liability claim that is asserted against us. In addition, product liability insurance could become more expensive and difficult to maintain and, in the future, may not be available on commercially reasonable terms, or at all.

In addition, we are exposed to the product liability risk and the risk of negative publicity affecting our customers. Our sales may decline if any of our customers are sued on a product liability claim. We also may suffer a decline in sales from the negative publicity associated with such a lawsuit or with adverse public perceptions in general regarding our customers' products. Further, if our products are delivered with impurities or defects, we could incur additional development, repair or replacement costs, and our credibility and the market's acceptance of our products could be harmed.

We could suffer adverse tax and other financial consequences as a result of changes in, or differences in the interpretation of, applicable tax laws.

Our company organizational structure was created in part based on certain interpretations and conclusions regarding various tax laws, including withholding tax, and other tax laws of applicable jurisdictions. Our Korean subsidiary, MagnaChip Semiconductor, Ltd., or MagnaChip Korea, was granted a limited tax holiday under Korean law in October 2004. This grant provided for certain tax exemptions for corporate taxes and withholding taxes until December 31, 2008, and for acquisition taxes, property and land use taxes and certain other taxes until December 31, 2013. Our interpretations and conclusions regarding tax laws, however, are not binding on any taxing authority and, if these interpretations and conclusions are incorrect, if our business were to be operated in a way that rendered us ineligible for tax exemptions or caused us to become subject to incremental tax, or if the authorities were to change, modify, or have a different interpretation of the relevant tax laws, we could suffer adverse tax and other financial consequences and the anticipated benefits of our organizational structure could be materially impaired.

The enactment of legislation implementing changes in U.S. taxation of international business activities or the adoption of other tax reform policies could materially impact our financial position and results of operations.

Several tax bills have been introduced to reform U.S. taxation of international business activities. If any of these proposals are enacted into legislation, they could have material adverse consequences on the amount of tax we pay and thereby on our financial position and results of operations.

Our ability to compete successfully and achieve future growth will depend, in part, on our ability to protect our proprietary technology and know-how, as well as our ability to operate without infringing the proprietary rights of others.

We seek to protect our proprietary technologies and know-how through the use of patents, trade secrets, confidentiality agreements and other security measures. The process of seeking patent protection takes a long time and is expensive. There can be no assurance that patents will issue from pending or future applications or that, if patents issue, they will not be challenged, invalidated or circumvented, or that the rights granted under the patents will provide us with meaningful protection or any commercial advantage. Some of our technologies are not covered by any patent or patent application. The confidentiality agreements on which we rely to protect these technologies may be breached and may not be adequate to protect our proprietary technologies. There can be no assurance that other countries in which we market our services will protect our intellectual property rights to the same extent as the United States.

Our ability to compete successfully depends on our ability to operate without infringing the proprietary rights of others. We have no means of knowing what patent applications have been filed in the United States until they are published. In addition, the semiconductor industry is characterized by frequent litigation regarding patent and other intellectual property rights. We may need to file lawsuits to enforce our patents or intellectual property rights, and we may need to defend against claimed infringement of the rights of others. Any litigation could result in substantial costs to us and divert our resources. Despite our efforts in bringing or defending lawsuits, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property. In the event of an adverse outcome in any such litigation, we may be required to:

- pay substantial damages or indemnify customers or licensees for damages they may suffer if the products they purchase from us or the technology they license from us violate the intellectual property rights of others;
- stop our manufacture, use, sale or importation of infringing products; expend significant resources to develop or acquire non-infringing technologies;
- discontinue processes; or
- obtain licenses to the intellectual property we are found to have infringed.

There can be no assurance that we would be successful in such development or acquisition or that such licenses would be available under reasonable terms, or at all. The termination of key third party licenses relating to the use of intellectual property in our products and our design processes, such as our agreements with Silicon Works Co., Ltd. and ARM Limited, would materially and adversely affect our business.

Our competitors may develop, patent or gain access to know-how and technology similar to our own. In addition, many of our patents are subject to cross licenses, several of which are with our competitors. The noncompetition arrangement agreed to by Hynix in connection with the Original Acquisition expired on October 1, 2007. Under that arrangement, Hynix retained a perpetual license to use the intellectual property that we acquired from Hynix in the Original Acquisition. Now that these noncompetition restrictions have expired, Hynix and its subsidiaries are free to develop products that may incorporate or embody intellectual property developed by us prior to October 2004.

Our expenses could increase if Hynix were unwilling or unable to provide certain services related to our shared facilities with Hynix, and if Hynix were to become insolvent, we could lose certain of our leases.

We are party to a land lease and easement agreement with Hynix pursuant to which we lease the land for our facilities in Cheongju, Korea. If this agreement were terminated for any reason, including the insolvency of Hynix, we would have to renegotiate new lease terms with Hynix or the new owner of the land. We cannot assure you that we could negotiate new lease terms on favorable terms or at all. Because we share certain facilities with Hynix, several services that are essential to our business are provided to us by or through Hynix under our general service supply agreement with Hynix. These services include electricity, bulk gases and de-ionized water, campus facilities and housing, wastewater and sewage management, environmental safety and certain utilities and infrastructure support services. If any of our agreements with Hynix were terminated or if Hynix were unwilling or unable to fulfill its obligations to us under the terms of these agreements, we would have to procure these services on our own and as a result may experience an increase in our expenses.

We are subject to many environmental laws and regulations that could affect our operations or result in significant expenses.

We are subject to requirements of environmental, health and safety laws and regulations in each of the jurisdictions in which we operate, governing air emissions, wastewater discharges, the generation, use, handling, storage and disposal of, and exposure to, hazardous substances (including asbestos) and wastes, soil and groundwater contamination and employee health and safety. These laws and regulations are complex, change frequently and have tended to become more stringent over time. There can be no assurance that we have been, or will be, in compliance with all such laws and regulations or that we will not incur material costs or liabilities in connection with these laws and regulations in the future. The adoption of new environmental, health and safety laws, the failure to comply with new or existing laws, or issues relating to hazardous substances could subject us to material liability (including substantial fines or penalties), impose the need for additional capital equipment or other process requirements upon us, curtail our operations or restrict our ability to expand operations.

If our Korean subsidiary is designated as a regulated business under Korean environmental law, such designation could have an adverse effect on our financial position and results of operation.

In February 2010, the Korean government pre-announced the draft Enforcement Decree to the Framework Act on Low Carbon Green Growth, or the Enforcement Decree. If approved, the Enforcement Decree will become effective in April 2010. According to the Enforcement Decree, businesses that exceed 25,000 tons of greenhouse gas emissions and 100 terajoules of energy consumption for the prior three years will be subject to regulation and will be required to submit plans to reduce greenhouse emissions and energy consumption as well as performance reports and will be subject to government requirements to take further action. If MagnaChip Korea is designated as a regulated business under the Enforcement Decree, we could be subject to additional and potentially costly compliance or remediation expenses which could adversely affect our financial position and results of operations.

We will likely need additional capital in the future, and such capital may not be available on acceptable terms or at all, which would have a material adverse effect on our business, financial condition and results of operations.

We will likely require more capital in the future from equity or debt financings to fund operating expenses, such as research and development costs, finance investments in equipment and infrastructure, acquire complimentary businesses and technologies, and respond to competitive pressures and potential strategic opportunities. If we raise additional funds through further issuances

of equity or other securities convertible into equity, our existing stockholders could suffer significant dilution, and any new shares we issue could have rights, preferences or privileges senior to those of the holders of our common stock, including the shares of common stock sold in this offering. In addition, additional capital may not be available when needed or, if available, may not be available on favorable terms. In addition, our indebtedness limits our ability to incur additional indebtedness under certain circumstances. If we are unable to obtain capital on favorable terms, or if we are unable to obtain capital at all, we may have to reduce our operations or forego opportunities, and this may have a material adverse effect on our business, financial condition and results of operations.

Our business depends on international customers, suppliers and operations in Asia, and as a result we are subject to regulatory, operational, financial and political risks, which could adversely affect our financial results.

We rely on, and expect to continue to rely on, suppliers, subcontractors and operations located primarily in Asia. As a result, we face risks inherent in international operations, such as unexpected changes in regulatory requirements, tariffs and other market barriers, political, social and economic instability, adverse tax consequences, war, civil disturbances and acts of terrorism, difficulties in accounts receivable collection, extended payment terms and differing labor standards, enforcement of contractual obligations and protection of intellectual property. These risks may lead to increased costs or decreased revenue growth, or both. Although we do not derive any revenue from, nor sell any products in, North Korea, any future increase in tensions between South Korea and North Korea that may occur, such as an outbreak of military hostilities, would adversely affect our business, financial condition and results of operations.

You may be unable to enforce judgments obtained in United States courts against us or our subsidiaries organized in jurisdictions other than the United States.

Most of our subsidiaries are organized or incorporated outside of the United States and most of our and our subsidiaries' assets are located outside of the United States. Accordingly, any judgment obtained in the United States against us or our subsidiaries may not be collectible in the United States. In addition, some of our directors and executive officers are not residents of the United States. It may be difficult to enforce civil liabilities in United States courts against these non-resident directors and officers.

Investor confidence may be adversely impacted if we are unable to comply with Section 404 of the Sarbanes-Oxley Act of 2002, and as a result, our stock price could decline.

We will be subject to rules adopted by the Securities Exchange Commission, or SEC, pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley Act, which require us to include in our Annual Report on Form 10-K our management's report on, and assessment of the effectiveness of, our internal controls over financial reporting. Beginning with our fiscal year ending December 31, 2011, our independent auditors will be required to attest to and report on the effectiveness of our internal control over financial reporting. In connection with audits of our consolidated financial statements for the ten-month period ended October 25, 2009 and two-month period ended December 31, 2009, our independent registered public accounting firm has reported two control deficiencies that existed prior to their review, which represent a material weakness in our internal control over financial reporting. The two control deficiencies which represent a material weakness that our independent registered public accounting firm reported to our board of directors are that we do not have a sufficient number of financial personnel with the requisite financial accounting experience and that our controls over non-routine transactions are not effective to ensure that accounting considerations are identified and appropriately recorded. If we fail to achieve and maintain the adequacy of our internal controls, there is a risk that we will not comply with all of the requirements imposed by Section 404. Moreover, effective internal controls, particularly those related to revenue recognition, are necessary for us to produce reliable financial reports and are important to helping

prevent financial fraud. Any of these possible outcomes could result in an adverse reaction in the financial marketplace due to a loss of investor confidence in the reliability of our consolidated financial statements and could result in investigations or sanctions by the SEC, the New York Stock Exchange, or NYSE, or other regulatory authorities or in stockholder litigation. Any of these factors ultimately could harm our business and could negatively impact the market price of our securities. Ineffective control over financial reporting could also cause investors to lose confidence in our reported financial information, which could adversely affect the trading price of our common stock.

Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. However, our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

We may need to incur impairment and other restructuring charges, which could materially affect our results of operations and financial conditions.

During industry downturns and for other reasons, we may need to record impairment or restructuring charges. From April 4, 2005 through December 31, 2009, we recognized aggregate restructuring and impairment charges of $63.7 million, which consisted of $58.1 million of impairment charges and $5.6 million of restructuring charges. In the future, we may need to record additional impairment charges or to further restructure our business or incur additional restructuring charges, any of which could have a material adverse effect on our results of operations or financial condition.

We are subject to litigation risks, which may be costly to defend and the outcome of which is uncertain.

All industries, including the semiconductor industry, are subject to legal claims, with and without merit, that may be particularly costly and which may divert the attention of our management and our resources in general. We are involved in a variety of legal matters, most of which we consider routine matters that arise in the normal course of business. These routine matters typically fall into broad categories such as those involving customers, employment and labor and intellectual property. Even if the final outcome of these legal claims does not have a material adverse effect on our financial position, results of operations or cash flows, defense and settlement costs can be substantial. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal claim or proceeding could have a material effect on our business, financial condition, results of operations or cash flows.

Risks Related to Our Common Stock

The price of our depositary shares and common stock may be volatile and you may lose all or a part of your investment.

Prior to this offering, there has not been a public market for our depository shares or common stock. Even though we anticipate that our shares will be quoted on the New York Stock Exchange, an active trading market for our depositary shares or common stock may not develop following this offering. You may not be able to sell your shares quickly or at the current market price if trading in our depositary shares or common stock is not active. The initial public offering price for the shares will be determined by negotiations between the underwriters, the selling stockholders and us, and may not be indicative of prices that will prevail in the trading market.

In addition, the trading price of our depositary shares and common stock might be subject to wide fluctuations. Factors, some of which are beyond our control, that could affect the trading price of our depositary shares or common stock may include:

- actual or anticipated variations in our results of operations from quarter to quarter or year to year;
- announcements by us or our competitors of significant agreements, technological innovations or strategic alliances;
- changes in recommendations or estimates by any securities analysts who follow our securities;
- addition or loss of significant customers;
- recruitment or departure of key personnel;
- changes in economic performance or market valuations of competing companies in our industry;
- price and volume fluctuations in the overall stock market;
- market conditions in our industry, end markets and the economy as a whole;
- subsequent sales of stock and other financings;
- litigation, legislation, regulation or technological developments that adversely affect our business; and
- the expiration of contractual lock-up agreements with our executive officers, directors and greater than 1% stockholders.

In the past, following periods of volatility in the market price of a public company's securities, securities class action litigation often has been instituted against the public company. Regardless of its outcome, this type of litigation could result in substantial costs to us and a likely diversion of our management's attention. You may not receive a positive return on your investment when you sell your shares, and you could lose some or the entire amount of your investment.

Control by principal stockholders could adversely affect our other stockholders.

Based upon the MagnaChip Semiconductor LLC units outstanding as of December 31, 2009, our executive officers, directors and greater than 5% unitholders collectively beneficially owned approximately 86% of the common units of MagnaChip Semiconductor LLC, excluding units issuable upon exercise of outstanding options and warrants, and 86% of the common units, including units issuable upon exercise of outstanding options and warrants that are exercisable within sixty days of December 31, 2009. After giving effect to the corporate conversion and the sale of shares in this offering, our executive officers, directors and greater than 5% stockholders, collectively, would have owned approximately % of our common stock as of December 31, 2009, assuming no exercise of the underwriters' option to purchase additional shares from us or the selling stockholders. On the same adjusted basis, and assuming exercise of the underwriters' option to purchase an additional shares from us and shares from the selling stockholders, our executive officers, directors and greater than 5% stockholders, collectively, would have owned approximately % of our common stock as of December 31, 2009. In addition, Avenue has three designees serving as members of our seven-member board of directors. Therefore, Avenue will continue to have significant influence over our affairs for the foreseeable future, including influence over the election of directors and significant corporate transactions, such as a merger or other sale of our company or our assets.

Our concentration of ownership will limit the ability of other stockholders to influence corporate matters and, as a result, we may take actions that our non-sponsor stockholders do not view as beneficial. For example, our concentration of ownership could have the effect of delaying or preventing a change in control or otherwise discouraging a potential acquirer from attempting to obtain control of

us, which in turn could cause the market price of our common stock to decline or prevent our stockholders from realizing a premium over the market price for their shares of our common stock.

Under our certificate of incorporation, our non-employee directors and non-employee holders of five percent or more of our outstanding common stock do not have a duty to refrain from engaging in a corporate opportunity in the same or similar activities or lines of business as those engaged in by us, our subsidiaries and other related parties. Also, we have renounced any interest or expectancy in such business opportunities even if the opportunity is one that we might reasonably have pursued or had the ability or desire to pursue if granted an opportunity to do so.

The future sale of significant amounts of our common stock may negatively affect our stock price, even if our business is doing well.

Sales of substantial amounts of shares of our common stock in the public market, or the prospect of such sales, could adversely affect the market price of our common stock. After giving effect to the corporate conversion and the sale of shares in this offering, we would have had shares of common stock outstanding as of December 31, 2009, based on the number of MagnaChip Semiconductor LLC units outstanding as of that date. More than % of the shares outstanding prior to this offering are subject to lock-up agreements under which the holders of such shares have agreed not to sell or otherwise dispose of any of their shares for a period of 180 days after the date of this prospectus without the prior written consent of Goldman, Sachs & Co., and Barclays Capital Inc., other than any shares such holders may sell to the underwriters in this offering after the date of this prospectus pursuant to the underwriters' option to purchase up to additional shares of our common stock from us and shares from the selling stockholders; provided, that these agreements do not restrict the ability of the stockholders party to the registration rights agreement to cause a resale registration statement to be filed in accordance with the demand registration rights described under "Description of Capital Stock — Registration Rights." After the 180-day period, based upon the MagnaChip Semiconductor LLC units outstanding as of December 31, 2009, and the assumed exchange rate of MagnaChip Semiconductor LLC units for MagnaChip Semiconductor Corporation shares, shares held by current unitholders will be eligible for sale from time to time in the future under Rule 144, Rule 701 or Section 4(1) of the Securities Act with respect to shares covered by Section 1145 of the U.S. Bankruptcy Code.

Goldman, Sachs & Co. and Barclays Capital Inc. can together waive the restrictions of the lock-up agreements at an earlier time without prior notice or announcement and allow stockholders to sell their shares. As restrictions on resale end, the market price of our common stock could drop significantly if the holders of the restricted shares sell such restricted shares or are perceived by the market as intending to sell such restricted shares.

Provisions in our charter documents and Delaware Law may make it difficult for a third party to acquire us and could depress the price of our common stock.

Provisions in our certificate of incorporation and bylaws may have the effect of delaying or preventing a change of control or changes in our management. Among other things, our certificate of incorporation and bylaws:

- authorize our board of directors to issue, without stockholder approval, preferred stock with such terms as the board of directors may determine;
- divide our board of directors into three classes so that only approximately one-third of the total number of directors is elected each year;
- permit directors to be removed only for cause by a majority vote;
- prohibit action by written consent of our stockholders;

- prohibit any person other than our board of directors, the chairman of our board of directors, our Chief Executive Officer or holders of at least 25% of the voting power of all then outstanding shares of capital stock of the corporation entitled to vote generally in the election of directors to call a special meeting of our stockholders; and
- specify advance notice requirements for stockholder proposals and director nominations.

In addition, following this offering, we will be subject to the provisions of Section 203 of the Delaware General Corporation Law, or DGCL, regulating corporate takeovers and which has an anti-takeover effect with respect to transactions not approved in advance by our board of directors, including discouraging takeover attempts that might result in a premium over the market price for shares of our common stock. In general, those provisions prohibit a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that the stockholder became an interested stockholder, unless:

- the transaction is approved by the board of directors before the date the interested stockholder attained that status;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or
- on or after such date, the business combination is approved by the board of directors and authorized at a meeting of stockholders, and not by written consent, by at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

In general, Section 203 defines a business combination to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by any such entity or person.

A Delaware corporation may opt out of this provision by express provision in its original certificate of incorporation or by amendment to its certificate of incorporation or bylaws approved by its stockholders. However, we have not opted out of, and do not currently intend to opt out of, this provision.

We may apply the proceeds of this offering to uses that do not improve our operating results or increase the value of your investment.

We intend to use the net proceeds from this offering to pay certain employee incentive payments payable upon the closing of this offering, to pay certain expenses of this offering, and for general corporate purposes, including working capital and capital expenditures. We may also use a portion of the net proceeds to acquire or invest in companies and technologies that we believe will complement our business although we have no specific plans at this time to do so. However, we will have broad

discretion in how we use the net proceeds of this offering. These proceeds could be applied in ways that do not improve our operating results or increase the value of your investment. Until the net proceeds are used, they may be placed in investments that do not produce income or that lose value.

You will incur immediate and substantial dilution and may experience further dilution immediately upon the sale of our common stock in this offering.

The initial public offering price of our common stock is substantially higher than $, the net tangible book value per share of our common stock as of December 31, 2009, calculated on a pro forma basis as adjusted for the sale of shares in this offering. Therefore, if you purchase our common stock in this offering, you will incur an immediate dilution of $ in net tangible book value per share from the price you paid, based on the assumed initial offering price of $ per share. The exercise of outstanding options and warrants to purchase shares of our common stock at a weighted average exercise price of $ and $ per share, respectively (assuming a conversion ratio of between the common units of MagnaChip Semiconductor LLC and our shares of common stock), will result in further dilution.

We will incur increased costs as a result of being a publicly listed company, and these additional costs could harm our business and results of operations.

The Sarbanes-Oxley Act, as well as rules promulgated by the SEC and the NYSE, require us to adopt corporate governance practices applicable to U.S. public companies. These rules and regulations will increase our legal and financial compliance costs and make certain compliance and reporting activities more time-consuming. We also expect it to be more difficult and more expensive for us to obtain and maintain director and officer liability insurance, which may cause us to accept reduced policy limits and reduced coverage or to incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers. We cannot predict or estimate the amount of additional costs we may incur, but these additional costs and demands on management time and attention may harm our business and results of operations.

We do not intend to pay dividends for the foreseeable future after this offering, and therefore, investors should rely on sales of their common stock as the only way to realize any future gains on their investments.

We do not intend to pay any cash dividends in the foreseeable future after this offering. The payment of cash dividends on common stock is restricted under the terms of our senior secured credit agreement. We anticipate that we will retain all of our future earnings after this offering for use in the development of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

INDUSTRY AND MARKET DATA

In this prospectus, we rely on and refer to information regarding the semiconductor market from iSuppli Corporation, or iSuppli, and Gartner, Inc., or Gartner. Market data attributed to iSuppli is from "Display Driver ICs Q4 2009 Market Tracker" and "Power Management Q4 2009 Market Tracker" and market data attributed to Gartner is from "Semiconductor Forecast Worldwide: Forecast Database, 24 Feb 2010." Although we believe that this information is reliable, we have not independently verified it. We do not have any obligation to announce or otherwise make publicly available updates or revisions to forecasts contained in these documents. In addition, in many cases, we have made statements in this prospectus regarding our industry and our position in the industry based on our experience in the industry and our own investigation of market conditions.

SPECIAL CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

Information concerning us and this offering is subject to risks and uncertainties. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. These statements can be identified by the fact that they do not relate strictly to historical or current facts. These statements may include words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe" and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. All statements other than statements of historical facts included in this prospectus that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements.

These forward-looking statements are largely based on our expectations and beliefs concerning future events, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions and other factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. Although we believe our estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. In addition, management's assumptions about future events may prove to be inaccurate. Management cautions all readers that the forward-looking statements contained in this prospectus are not guarantees of future performance, and we cannot assure any reader that those statements will be realized or the forward-looking events and circumstances will occur. Actual results may differ materially from those anticipated or implied in the forward-looking statements due to the factors listed in the "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" sections and elsewhere in this prospectus.

All forward-looking statements speak only as of the date of this prospectus. We do not intend to publicly update or revise any forward-looking statements as a result of new information or future events or otherwise, except as required by law. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

USE OF PROCEEDS

We estimate that our net proceeds from the sale of the common stock that we are offering will be approximately $ million, after deducting the underwriting discounts and commissions and the estimated offering expenses payable by us (assuming an initial public offering price of $ per share, the midpoint of the range set forth on the cover page of this prospectus). We will not receive any of the proceeds from the sale of our common stock by the selling stockholders.

We intend to use the net proceeds to us from this offering as follows:

- approximately $12 million to fund incentive payments to all of our employees; and
- approximately $ million to fund working capital and for general corporate purposes.

Pending such uses, we intend to invest the net proceeds of this offering in short-term, investment-grade, interest-bearing securities.

If we raise more or fewer proceeds from this offering than anticipated, we expect to increase or reduce the amount that we use to fund working capital and for general corporate purposes by a commensurate amount.

DIVIDEND POLICY

We do not intend to pay any cash dividends on our common stock in the foreseeable future after this offering. We anticipate that we will retain all of our future earnings after this offering for use in the development of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our board of directors. The payment of cash dividends on our common stock is restricted under the terms of our senior secured credit agreement.

CORPORATE CONVERSION

In connection with this offering, our board of directors will elect to convert MagnaChip Semiconductor LLC from a Delaware limited liability company to a Delaware corporation. In order to consummate such a conversion, a certificate of conversion will be filed with the Secretary of State of the State of Delaware prior to the closing of this offering. In connection with the corporate conversion, outstanding common units of MagnaChip Semiconductor LLC will be automatically converted into shares of common stock of MagnaChip Semiconductor Corporation, outstanding options to purchase common units of MagnaChip Semiconductor LLC will be automatically converted into options to purchase shares of common stock of MagnaChip Semiconductor Corporation and outstanding warrants to purchase common units of MagnaChip Semiconductor LLC will be automatically converted into warrants to purchase shares of common stock of MagnaChip Semiconductor Corporation, all at a ratio of .

CAPITALIZATION

The following table sets forth the following information:

- the actual capitalization of MagnaChip Semiconductor LLC as of December 31, 2009; and
- our pro forma capitalization as of December 31, 2009 after giving effect to (i) the corporate conversion, as adjusted for (ii) the sale of shares of our common stock in this offering at an initial public offering price of $ per share (the midpoint of the range set forth on the front cover of this prospectus), after the deduction of the underwriting discounts and commissions and the estimated offering expenses payable by us, and the application of the related proceeds as described under "Use of Proceeds."

This table should be read together with "Use of Proceeds," "Selected Historical Consolidated Financial and Operating Data," "Unaudited Pro Forma Consolidated Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this prospectus.

	As of December 31, 2009 (in millions)	
	Actual	Pro Forma as Adjusted
Total indebtedness (including current portion of senior secured credit facility)	$ 61.8	$ 61.8
Stockholders' equity:		
Common units, no par value; 375,000,000 units authorized, 307,083,996 issued and outstanding, actual; and no units issued and outstanding, pro forma as adjusted	55.1	—
Preferred stock, $0.01 par value, no shares authorized, issued and outstanding, actual; shares authorized, no shares issued and outstanding, pro forma as adjusted.		
Common stock, par value $0.01 per share; shares authorized, no shares issued and outstanding, actual; and shares issued and outstanding, pro forma as adjusted	—	
Additional paid-in capital	168.7	
Accumulated deficit	(2.0)	
Accumulated other comprehensive loss	(6.2)	
Total unitholders' / stockholders' equity	215.7	
Total capitalization	$ 277.4	

(1) A $1.00 decrease or increase in the assumed initial public offering price would result in approximately a $ million decrease or increase in each of pro forma as adjusted additional paid-in capital, total stockholders' equity and total capitalization, assuming the total number of shares offered by us remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

DILUTION

Our net tangible book value as of December 31, 2009, on a pro forma basis, was approximately $ million, or $ per share of our common stock. Pro forma net tangible book value per share represents our total tangible assets reduced by our total liabilities and divided by the number of shares of common stock outstanding. Dilution in net tangible book value per share represents the difference between the amount per share that you pay in this offering and the net tangible book value per share immediately after this offering.

After giving effect to the receipt of the estimated net proceeds from the sale by us of shares, our net tangible book value at December 31, 2009 on the pro forma basis would have been approximately $, or $ per share of common stock. This represents an immediate increase in pro forma net tangible book value per share of $ to existing stockholders and an immediate decrease in pro forma net tangible book value per share of $ to you. The following table illustrates the dilution.

Assumed initial public offering price per share		$
Net pro forma tangible book value per share as of December 31, 2009	$	
Increase in pro forma net tangible book value per share attributable to new investors	$	
Pro forma net tangible book value per share after giving effect to this offering		
Dilution per share to new investors		$

A $1.00 increase or decrease in the assumed initial public offering price of $ per share would increase or decrease the pro forma net tangible book value per share after giving effect to this offering by $ per share and would increase or decrease the dilution in pro forma net tangible book value per share to investors in this offering by $ per share. This calculation assumes that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and reflects the deduction of the underwriting discounts and commissions and estimated expenses of this offering.

The following table sets forth, as of December 31, 2009, on the pro forma basis as adjusted to give effect to this offering, the differences between the amounts paid or to be paid by the groups set forth in the table with respect to the aggregate number of shares of our common stock acquired or to be acquired by each group.

	Shares Purchased		Total Consideration		Average Price
	Number	%	Amount	%	Per Share
	(In millions, except share and % data)				
Existing stockholders		%	$	%	$
New investors(1)					
Total		%	$	%	$

(1) Before deduction of the underwriting discounts and commissions and estimated offering expenses payable by us.

If the underwriters' option to purchase additional shares from us and the selling stockholders is exercised in full, the number of shares of common stock held by existing stockholders will be reduced to , or % of the aggregate number of shares of common stock outstanding after this offering, and the number of shares of common stock held by new investors will be increased to , or % of the aggregate number of shares of common stock outstanding after this offering.

To the extent that any outstanding options and warrants to purchase shares of our common stock are exercised, investors in this offering will experience further dilution. The table below sets forth the matters described with respect to the table above and assumes the exercise of all options and warrants outstanding or exercisable as of December 31, 2009. Assuming such exercise, the total number of shares purchased would be increased as a result of the additional shares underlying the options and warrants being issued. Therefore the percentage of shares purchased by the existing stockholders and new investors relative to all three groups would be decreased. Similarly, as a result of the option and warrant exercises, the total consideration to be received by us would be increased because of the additional cash received by us from option and warrant exercises. Such increase in total consideration would have the effect of decreasing the percentage of total consideration paid by the existing stockholders and new investors relative to all three groups. The average price per share for the existing stockholders and new investors would remain unchanged.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	%	Amount	%	
	(In millions, except share and % data)				
Existing stockholders		%	$	%	$
New investors(1)					
Option and warrant holders(2)					
Total		%	$	%	$

(1) Before deduction of the underwriting discounts and commissions and estimated offering expenses payable by us.

(2) Includes shares of common stock issuable upon exercise of options previously granted to our officers, directors and employees and warrants issued in connection with our reorganization proceedings.

If the underwriters' option to purchase additional shares from us and the selling stockholders is exercised in full, the number of shares of common stock held by existing stockholders will be reduced to , or % of the aggregate number of shares of common stock outstanding after this offering, and the number of shares of common stock held by new investors will be increased to , or % of the aggregate number of shares of common stock outstanding after this offering.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING DATA

The following tables set forth selected historical consolidated financial data of MagnaChip Semiconductor LLC (to be converted into MagnaChip Semiconductor Corporation in connection with this offering) on or as of the dates and for the periods indicated. The selected historical consolidated financial data presented below should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements, including the notes to those consolidated financial statements, appearing elsewhere in this prospectus.

We have derived the selected consolidated financial data as of December 31, 2009 and 2008 and for the two-month period ended December 31, 2009, the ten-month period ended October 25, 2009 and the years ended December 31, 2008 and 2007 from the historical audited consolidated financial statements of MagnaChip Semiconductor LLC included elsewhere in this prospectus. We have derived the selected consolidated financial data as of December 31, 2007, 2006 and 2005 and for the years ended December 31, 2006 and 2005 from the historical audited consolidated financial statements of MagnaChip Semiconductor LLC not included in this prospectus. The historical results of MagnaChip Semiconductor LLC for any prior period are not necessarily indicative of the results to be expected in any future period.

In connection with our emergence from reorganization proceedings, we implemented fresh-start accounting in accordance with applicable ASC 852 governing reorganizations. We elected to adopt a convenience date of October 25, 2009 (a month end for our financial reporting purposes) for application of fresh-start accounting. In accordance with the ASC 852 governing reorganizations, we recorded largely non-cash reorganization income and expense items directly associated with our reorganization proceedings including professional fees, the revaluation of assets, the effects of our reorganization plan and fresh-start accounting and write-off of debt issuance costs. As a result of the application of fresh-start accounting, our financial statements prior to and including October 25, 2009 represent the operations of our pre-reorganization predecessor company and are presented separately from the financial statements of our post-reorganization successor company. As a result of the application of fresh-start accounting, the financial statements prior to and including October 25, 2009 are not fully comparable with the financial statements for periods on or after October 25, 2009.

	Successor(1)	Predecessor				
	Two- Month Period Ended December 31, 2009	Ten- Month Period Ended October 25, 2009	Years Ended December 31,			
			2008	2007	2006	2005
			(Audited)			
			(In millions, except per common unit data)			
Statements of Operations Data:						
Net sales	$ 111.1	$ 449.0	$ 601.7	$ 709.5	$ 683.9	$ 774.3
Cost of sales	90.4	311.1	445.3	578.9	580.4	591.1
Gross profit	20.7	137.8	156.4	130.7	103.4	183.2
Selling, general and administrative expenses	14.5	56.3	81.3	82.7	76.1	119.4
Research and development expenses	14.7	56.1	89.5	90.8	87.2	96.1
Restructuring and impairment charges	—	0.4	13.4	12.1	1.7	36.1
Operating income (loss) from continuing operations	(8.6)	25.0	(27.7)	(54.9)	(61.6)	(68.4)
Interest expense, net	1.3	31.2	76.1	60.3	57.2	57.2
Foreign currency gain (loss), net	9.3	43.4	(210.4)	(4.7)	50.9	16.5
Reorganization items, net	—	804.6	—	—	—	—
	8.1	816.8	(286.5)	(65.0)	(6.3)	(40.7)
Income (loss) from continuing operations before income taxes	(0.5)	841.8	(314.3)	(120.0)	(67.9)	(109.1)
Income tax expenses	1.9	7.3	11.6	8.8	9.1	2.0
Income (loss) from continuing operations	(2.5)	834.5	(325.8)	(128.8)	(76.9)	(111.1)
Income (loss) from discontinued operations, net of taxes	0.5	6.6	(91.5)	(51.7)	(152.4)	10.2
Net income (loss)	$ (2.0)	$ 841.1	$ (417.3)	$ (180.6)	$ (229.3)	$ (100.9)
Dividends accrued on preferred units	—	6.3	13.3	12.0	10.9	9.9
Income (loss) from continuing operations attributable to common units	(2.5)	828.2	(339.1)	(140.9)	(87.9)	(121.1)
Net income (loss) attributable to common units	$ (2.0)	$ 834.8	$ (430.6)	$ (192.6)	$ (240.2)	$ (110.8)
Per unit data:						
Earnings (loss) from continuing operations per common unit — Basic and diluted	(0.01)	15.65	(6.43)	(2.69)	(1.66)	(2.29)
Earnings (loss) from discontinued operations per common unit — Basic and diluted	—	0.12	(1.73)	(0.99)	(2.88)	0.19
Earnings (loss) per common unit — Basic and diluted	(0.01)	15.77	(8.16)	(3.68)	(4.54)	(2.10)
Weighted average number of common units — Basic and diluted	300.863	52.923	52.769	52.297	52.912	52.898
Balance Sheet Data (at period end):						
Cash and cash equivalents	$ 64.9		$ 4.0	$ 64.3	$ 89.2	$ 86.6
Total assets	453.3		399.2	707.9	770.1	1,040.6
Total indebtedness(2)	61.8		845.0	830.0	750.0	750.0
Long-term obligations(3)	61.5		143.2	879.4	867.4	856.7
Unitholders' equity	215.7		(787.8)	(477.5)	(284.5)	(46.5)
Supplemental Data (unaudited):						
Adjusted EBITDA(4)	22.1	76.6	59.8	111.2		
Adjusted Net Income (Loss)(5)	13.3	9.3	(71.7)	(82.6)		

(1) As of October 25, 2009, the fresh-start adoption date, we adopted fresh-start accounting for our consolidated financial statements. Because of the emergence from reorganization proceedings and adoption of fresh-start accounting, the historical financial information for periods after October 25, 2009 is not fully comparable to periods before October 25, 2009. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Recent Changes to Our Business."

(2) Total indebtedness is calculated as long and short-term borrowings, including the current portion of long-term borrowings.

(3) Long-term obligations include long-term borrowings, capital leases and redeemable convertible preferred units.

(4) We define Adjusted EBITDA as net income (loss) less income (loss) from discontinued operations, net of taxes, adjusted to exclude (i) depreciation and amortization associated with continuing operations, (ii) interest expense, net, (iii) income tax expenses, (iv) restructuring and impairment charges, (v) other restructuring charges, (vi) abandoned IPO expenses, (vii) subcontractor claim settlement, (viii) the increase in cost of sales resulting from the fresh-start inventory accounting step-up, (ix) equity-based compensation expense, (x) reorganization items, net and (xi) foreign currency gain (loss), net. See the footnotes to the table below for further information regarding these items. We present Adjusted EBITDA as a supplemental measure of our performance because:

- Adjusted EBITDA eliminates the impact of a number of items that may be either one time or recurring items that we do not consider to be indicative of our core ongoing operating performance;
- we believe that Adjusted EBITDA is an enterprise level performance measure commonly reported and widely used by analysts and investors in our industry;
- we anticipate that our investor and analyst presentations after we are public will include Adjusted EBITDA; and
- we believe that Adjusted EBITDA provides investors with a more consistent measurement of period to period performance of our core operations, as well as a comparison of our operating performance to that of other companies in our industry.

We use Adjusted EBITDA in a number of ways, including:

- for planning purposes, including the preparation of our annual operating budget;
- to evaluate the effectiveness of our enterprise level business strategies;
- in communications with our board of directors concerning our consolidated financial performance;
- in certain of our compensation plans as a performance measure for determining incentive compensation payments; and
- to measure our compliance with certain covenants in our debt agreements.

We encourage you to evaluate each adjustment and the reasons we consider them appropriate. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses similar to the adjustments in this presentation. Adjusted EBITDA is not a measure defined in accordance with GAAP and should not be construed as an alternative to income from continuing operations, cash flows from operating activities or net income (loss), as determined in accordance with GAAP. A reconciliation of net income (loss) to Adjusted EBITDA is as follows:

	Historical			
	Successor	Predecessor		
	Two- Month Period Ended December 31, 2009	Ten- Month Period Ended October 25, 2009	Years Ended December 31, 2008	2007
	(In millions)			
Net income (loss)	$ (2.0)	$ 841.1	$ (417.3)	$ (180.6)
Less: Income (loss) from discontinued operations, net of taxes	0.5	6.6	(91.5)	(51.7)
Income (loss) from continuing operations	(2.5)	834.5	(325.8)	(128.8)
Adjustments:				
Depreciation and amortization associated with continuing operations	11.2	37.7	63.8	152.2
Interest expense, net	1.3	31.2	76.1	60.3
Income tax expense	1.9	7.3	11.6	8.8
Restructuring and impairment charges(a)	—	0.4	13.4	12.1
Other restructuring charges(b)	—	13.3	6.2	—
Abandoned IPO expenses(c)	—	—	3.7	—
Subcontractor claim settlement(d)	—	—	—	1.3
Reorganization items, net(e)	—	(804.6)	—	—
Inventory step-up(f)	17.2	—	—	—
Equity based compensation expense(g)	2.2	0.2	0.5	0.6
Foreign currency gain (loss), net(h)	(9.3)	(43.4)	210.4	4.7
Adjusted EBITDA	$ 22.1	$ 76.6	$ 59.8	$ 111.2

(a) This adjustment is comprised of all items included in the restructuring and impairment charges line item on our consolidated statements of operations, and eliminates the impact of restructuring and impairment charges related to (i) for 2009, termination benefits and other related costs, for the ten-month period ended October 25, 2009 in connection with the closure of one of our research and development facilities in Japan, (ii) for 2008, goodwill impairment triggered by the significant adverse change in the revenue of our mobile display solutions, or MDS reporting unit, and a reversal of a portion of the restructuring accrual related to the closure of our Gumi five-inch wafer fabrication facilities in 2007, and (iii) for 2007, the closure of our Gumi five-inch wafer fabrication facilities. We do not believe these restructuring and impairment charges are indicative of our core ongoing operating performance because we do not anticipate similar facility closures and market driven events in our ongoing operations, although we cannot guarantee that similar events will not occur in the future.

(b) This adjustment relates to certain restructuring charges that are not included in the restructuring and impairment charges line item on our consolidated statements of operations. These items are included in selling, general and administrative expenses in our consolidated statements of operations. These charges are comprised of the following: (i) for 2009, a charge of $13.3 million for restructuring-related professional fees and related expenses, and (ii) for 2008, a charge of $6.2 million for restructuring-related professional fees and related expenses. We do not believe these other restructuring charges are indicative of our core ongoing operating performance because these charges were related, in significant part, to actions we took in response to the impacts on our business resulting from the global economic recession that persisted through 2008 and 2009. We cannot guarantee that similar charges will not be incurred in the future.

(c) This adjustment eliminates a $3.7 million charge in 2008 related to expenses incurred in connection with our abandoned initial public offering in 2008. We do not believe that these charges are indicative of our core operating performance. We expect to incur similar costs in connection with this offering.

(d) This adjustment eliminates a $1.3 million charge attributable to a one-time settlement of claims with a subcontractor. We no longer obtain services from this subcontractor and do not expect to incur similar charges in the future.

(e) This adjustment eliminates the impact of largely non-cash reorganization income and expense items directly associated with our reorganization proceedings from our ongoing operations including, among others, professional fees, the revaluation of assets, the effects of the Chapter 11 reorganization plan and fresh-start accounting principles and the write-off of debt issuance costs. Included in reorganization items, net for the ten-month period ended October 25, 2009 was our predecessor's gain recognized from the effects of our reorganization proceedings. The gain results from the difference between our predecessor's carrying value of remaining pre-petition liabilities subject to compromise and the amounts to be distributed pursuant to the reorganization proceedings. The gain from the effects of the reorganization proceedings and the application of fresh-start accounting principles is comprised of the discharge of liabilities subject to compromise, net of the issuance of new common units and new warrants and the accrual of amounts to be settled in cash. For details regarding this adjustment, see note 5 to the consolidated financial statements of MagnaChip Semiconductor LLC for the ten months ended October 25, 2009 and the two months ended December 31, 2009 included elsewhere in this prospectus. We do not believe these items are indicative of our core ongoing operating performance because they were incurred as a result of our Chapter 11 reorganization.

(f) This adjustment eliminates the one-time impact on cost of sales associated with the write-up of our inventory in accordance with the principles of fresh-start accounting upon consummation of the Chapter 11 reorganization.

(g) This adjustment eliminates the impact of non-cash equity-based compensation expenses. Although we expect to incur non-cash equity-based compensation expenses in the future, we believe that analysts and investors will find it helpful to review our operating performance without the effects of these non-cash expenses, as supplemental information.

(h) This adjustment eliminates the impact of non-cash foreign currency translation associated with intercompany debt obligations and foreign currency denominated receivables and payables, as well as the cash impact of foreign currency transaction gains or losses on collection of such receivables and payment of such payables. Although we expect to incur foreign currency translation gains or losses in the future, we believe that analysts and investors will find it helpful to review our operating performance without the effects of these primarily non-cash gains or losses, as supplemental information.

Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;
- Adjusted EBITDA does not consider the potentially dilutive impact of issuing equity-based compensation to our management team and employees;
- Adjusted EBITDA does not reflect the costs of holding certain assets and liabilities in foreign currencies; and
- other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, Adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our GAAP results and using Adjusted EBITDA only supplementally.

(5) We present Adjusted Net Income as a further supplemental measure of our performance. We prepare Adjusted Net Income by adjusting net income (loss) to eliminate the impact of a number of non-cash expenses and other items that may be either one time or recurring that we do not consider to be indicative of our core ongoing operating performance. We believe that Adjusted Net Income is particularly useful because it reflects the impact of our asset base and capital structure on our operating performance.

We present Adjusted Net Income for a number of reasons, including:

- we use Adjusted Net Income in communications with our board of directors concerning our consolidated financial performance;
- we believe that Adjusted Net Income is an enterprise level performance measure commonly reported and widely used by analysts and investors in our industry; and
- we anticipate that our investor and analyst presentations after we are public will include Adjusted Net Income.

Adjusted Net Income is not a measure defined in accordance with GAAP and should not be construed as an alternative to income from continuing operations, cash flows from operating activities or net income (loss), as determined in accordance with GAAP. We encourage you to evaluate each adjustment and the reasons we consider them appropriate. Other companies in our industry may calculate Adjusted Net Income differently than we do, limiting its usefulness as a comparative measure. In addition, in evaluating Adjusted Net Income, you should be aware that in the future we may incur expenses similar to the adjustments in this presentation. We define Adjusted Net Income as net income (loss) less income (loss) from discontinued operations, net of taxes, excluding (i) restructuring and impairment charges, (ii) other restructuring charges, (iii) abandoned IPO expenses, (vi) subcontractor claim settlement, (v) reorganization items, net, (vi) the increase in cost of sales resulting from the fresh-start accounting inventory step-up, (vii) equity based compensation expense, (viii) amortization of intangibles associated with continuing operations and (ix) foreign currency gain (loss).

The following table summarizes the adjustments to net income (loss) that we make in order to calculate Adjusted Net Income for the periods indicated:

	Historical			
	Successor	Predecessor		
	Two- Month Period Ended December 31, 2009	Ten- Month Period Ended October 25, 2009	Years Ended December 31, 2008	2007
		(In millions)		
Net income (loss)	$ (2.0)	$ 841.1	$ (417.3)	$ (180.6)
Less: Income (loss) from discontinued operations, net of taxes	0.5	6.6	(91.5)	(51.7)
Income (loss) from continuing operations	(2.5)	834.5	(325.8)	(128.8)
Adjustments:				
Restructuring and impairment charges(a)	—	0.4	13.4	12.1
Other restructuring charges(b)	—	13.3	6.2	—
Abandoned IPO expenses(c)	—	—	3.7	—
Subcontractor claim settlement(d)	—	—	—	1.3
Reorganization items, net(e)	—	(804.6)	—	—
Inventory step-up(f)	17.2	—	—	—
Equity based compensation expense(g)	2.2	0.2	0.5	0.6
Amortization of intangibles associated with continuing operations(h)	5.6	8.8	20.0	27.5
Foreign currency gain (loss), net(i)	(9.3)	(43.4)	210.4	4.7
Adjusted Net Income (Loss)	$ 13.3	$ 9.3	$ (71.7)	$ (82.6)

(a) This adjustment is comprised of all items included in the restructuring and impairment charges line item on our consolidated statements of operations, and eliminates the impact of restructuring and impairment charges related to (i) for 2009, termination benefits and other related costs, for the ten-month period ended October 25, 2009 in connection with the closure of one of our research and development facilities in Japan, (ii) for 2008, goodwill impairment triggered by the significant adverse change in the revenue of our MDS reporting unit and a reversal of a portion of the restructuring accrual related to the closure of our Gumi five-inch wafer fabrication facilities in 2007, and (iii) for 2007, the closure of our Gumi five-inch wafer fabrication facilities. We do not believe these restructuring and impairment charges are indicative of our core ongoing operating performance because we do not anticipate similar facility closures and market driven events in our ongoing operations, although we cannot guarantee that similar events will not occur in the future.

(b) This adjustment relates to certain restructuring charges that are not included in the restructuring and impairment charges line item on our consolidated statements of operations. These items are included in selling, general and administrative expenses in our consolidated statements of operations. These charges are comprised of the following: (i) for 2009, a charge of $13.3 million for restructuring-related professional fees and related expenses, and (ii) for 2008, a charge of $6.2 million for restructuring-related professional fees and related expenses. We do not believe these other restructuring charges are indicative of our core ongoing operating performance because these charges were related, in significant part, to actions we took in response to the impacts on our business resulting from the global economic recession that persisted through 2008 and 2009. We cannot guarantee that similar charges will not be incurred in the future.

(c) This adjustment eliminates a $3.7 million charge in 2008 related to expenses incurred in connection with our abandoned initial public offering in 2008. We do not believe that these charges are indicative of our core operating performance. We expect to incur costs in connection with this offering.

(d) This adjustment eliminates a $1.3 million charge attributable to a one-time settlement of claims with a subcontractor. We no longer obtain services from this subcontractor and do not expect to incur similar charges in the future.

(e) This adjustment eliminates the impact of largely non-cash reorganization income and expense items directly associated with our reorganization proceedings from our ongoing operations including, among others, professional fees, the revaluation of assets, the effects of the Chapter 11 reorganization plan and fresh-start accounting principles and the write-off of debt issuance costs. Included in reorganization items, net for the ten-month period ended October 25, 2009 was our predecessor's gain recognized from the effects of our reorganization proceedings. The gain results from the difference between our predecessor's carrying value of remaining pre-petition liabilities subject to compromise and the amounts to be distributed pursuant to the reorganization proceedings. The gain from the effects of the reorganization proceedings and the application of fresh-start accounting principles is comprised of the discharge of liabilities subject to compromise, net of the issuance of new common units and new warrants and the accrual of amounts to be settled in

cash. For details regarding this adjustment, see note 5 to the consolidated financial statements of MagnaChip Semiconductor LLC for the ten-month period ended October 25, 2009 and the two-month period ended December 31, 2009 included elsewhere in this prospectus. We do not believe these items are indicative of our core ongoing operating performance because they were incurred as a result of our reorganization proceedings.

(f) This adjustment eliminates the one-time impact on cost of sales associated with the write-up of our inventory in accordance with the principles of fresh-start accounting upon consummation of the Chapter 11 reorganization.

(g) This adjustment eliminates the impact of non-cash equity-based compensation expenses. Although we expect to incur non-cash equity-based compensation expenses in the future, we believe that analysts and investors will find it helpful to review our operating performance without the effects of these non-cash expenses, as supplemental information.

(h) This adjustment eliminates the non-cash impact of amortization expense for intangible assets created as a result of the purchase accounting treatment of the Original Acquisition and other subsequent acquisitions, and from the application of fresh-start accounting in connection with the reorganization proceedings. We do not believe these non-cash amortization expenses for intangibles are indicative of our core ongoing operating performance because the assets would not have been capitalized on our balance sheet but for the application of purchase accounting or fresh-start accounting, as applicable.

(i) This adjustment eliminates the impact of non-cash foreign currency translation associated with intercompany debt obligations and foreign currency denominated receivables and payables, as well as the cash impact of foreign currency transaction gains or losses on collection of such receivables and payment of such payables. Although we expect to incur foreign currency translation gains or losses in the future, we believe that analysts and investors will find it helpful to review our operating performance without the effects of these primarily non-cash gains or losses, as supplemental information.

Adjusted Net Income has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted Net Income does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- Adjusted Net Income does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted Net Income does not consider the potentially dilutive impact of issuing equity-based compensation to our management team and employees;
- Adjusted Net Income does not reflect the costs of holding certain assets and liabilities in foreign currencies; and
- other companies in our industry may calculate Adjusted Net Income differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, Adjusted Net Income should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our GAAP results and using Adjusted Net Income only supplementally.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

We have prepared the unaudited pro forma condensed consolidated financial information of MagnaChip for the year ended December 31, 2009 in accordance with Article II of Regulation S-X. The unaudited pro forma condensed consolidated statement of operations is derived from the historical consolidated financial statements of MagnaChip Semiconductor LLC and gives pro forma effect to the following as if these events had occurred on January 1, 2009:

- the reorganization proceedings and adoption of fresh-start reporting; and
- the corporate conversion

The unaudited consolidated pro forma balance sheet as of December 31, 2009 gives effect to the corporate conversion as if it occurred on December 31, 2009.

Basis of Presentation

The following information should be read in conjunction with "Selected Historical Consolidated Financial and Operating Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Risk Factors," "Capitalization" and the audited consolidated financial statements of MagnaChip Semiconductor LLC and the related notes included elsewhere in this prospectus. The unaudited pro forma consolidated financial information is not necessarily indicative of operating results or the financial position that would have been achieved if the transactions identified above had occurred on the dates indicated, nor does it purport to represent the results we will obtain in the future.

Management has prepared the accompanying unaudited pro forma balance sheet as of December 31, 2009 and consolidated statement of operations for the year ended December 31, 2009 in accordance with Article 11 of Regulation S-X for inclusion in this prospectus.

The accounting policies used in the preparation of the unaudited pro forma consolidated financial statements are those disclosed in the audited consolidated financial statements of MagnaChip Semiconductor LLC for the ten-month period ended October 25, 2009 and the two-month period ended December 31, 2009.

The following summary historical and unaudited pro forma condensed consolidated financial information should be read in conjunction with "Capitalization," "Selected Historical Consolidated Financial and Operating Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements, including the notes to those financial statements, included elsewhere in this prospectus.

The Reorganization Proceedings and Related Events

On June 12, 2009 MagnaChip Semiconductor LLC, along with certain of its subsidiaries, including MagnaChip Semiconductor S.A., filed a voluntary petition for relief in the United States Bankruptcy Court for the District of Delaware under Chapter 11 of the United States Bankruptcy Code. On November 9, 2009, our plan of reorganization became effective and we emerged from the reorganization proceedings.

In connection with our emergence from the reorganization proceedings, we implemented fresh-start accounting in accordance with ASC 852. We elected to adopt a convenience date of October 25, 2009 (a month end for our financial reporting purposes) for application of fresh-start accounting. In accordance with ASC 852, we recorded largely non-cash reorganization income and expense items directly associated with our reorganization proceedings including the revaluation of assets, the effects of our reorganization plan and fresh-start accounting, the write-off of debt issuance costs and professional fees.

In implementing fresh-start accounting, we re-measured our asset values and stated all liabilities, other than deferred taxes and severance benefits, at fair value or at present values of the amounts to be paid using appropriate market interest rates. As of October 25, 2009 the fair value of our assets and the fair value or present value of our liabilities were as follows:

	Successor October 25, 2009
Assets:	
Cash and cash equivalents	$ 67.6
Inventories	69.3
Other current assets	110.5
Property plant and equipment	158.4
Intangible assets	55.2
Other non-current assets	24.5
Total Assets	485.5
Liabilities:	
Current portion long term debt	0.5
Other current liabilities	123.9
Long-term debt	61.3
Other non-current liabilities	81.5
Total liabilities	267.2
Net Assets acquired	$ 218.4

The intangible assets recognized as part of fresh-start accounting and the related estimated useful lives are as follows:

Intangible Assets	Fair Value	Estimated Useful lives
Technology	$ 14.7	1-5
Customer relationships	26.1	0.5-5
Intellectual property assets	4.7	4
In-process research and development	9.7	
Total Intangible Assets	$ 55.2	

The adjustments made for the reorganization proceedings in the unaudited pro forma condensed consolidated financial information for the year ended December 31, 2009 assumes the financial effects on us resulting from the implementation of the Chapter 11 plan of reorganization and the adoption of fresh-start accounting as described above.

The Corporate Conversion

Prior to the closing of this offering, MagnaChip Semiconductor LLC will convert from a Delaware limited liability company to a Delaware corporation. The corporate conversion adjustments in the unaudited pro forma consolidated financial information for the year ended December 31, 2009 assume (a) the consummation of the corporate conversion of MagnaChip Semiconductor LLC and the effectiveness of our certificate of incorporation, which is expected to occur prior to the closing of this offering and (b) the automatic conversion of all of the outstanding common units of MagnaChip Semiconductor LLC for shares of our common stock at a ratio of . No U.S. federal taxable income or taxable gain is expected to be recognized by MagnaChip Semiconductor Corporation as a result of our conversion from a limited liability company to a corporation.

	Audited Historical		Unaudited	
	Successor	Predecessor		
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Adjustments	Pro Forma Year Ended December 31, 2009
	(In millions, except common unit/share data)			
Condensed Pro Forma Statements of Operations:				
Net sales	$ 111.1	$ 449.0	$ —	$560.1
Cost of sales	90.4	311.1	(22.7)(1)(2)	378.9
Gross profit	20.7	137.8		181.2
Selling, general and administrative expenses	14.5	56.3	0.8(1)	71.6
Research and development expenses	14.7	56.1	6.4(1)	77.3
Restructuring and impairment charges	—	0.4	—	0.4
Operating income (loss) from continuing operations	(8.6)	25.0	—	31.9
Interest expense, net	1.3	31.2	(23.0)(3)	9.4
Foreign currency gain, net	9.3	43.4	—	52.8
Reorganization items, net	—	804.6	(804.6)(4)	—
	8.1	816.8	—	43.4
Income (loss) from continuing operations before income taxes	(0.5)	841.8	—	75.2
Income tax expenses	1.9	7.3	—(5)	9.2
Income (loss) from continuing operations	(2.5)	834.5	—	66.0
Dividends accrued on preferred unit	—	6.3	(6.3)(6)	—
Income (loss) from continuing operations attributable to common unit/share	(2.5)	828.2	—	66.0
Per common unit / share data:(7)				
Earnings (loss) from continuing operations per common unit / share—Basic and diluted	(0.01)	15.65		
Weighted average number of common units/shares—Basic and diluted	300.863	52.923		

	Audited	Unaudited	
	Historical As of December 31, 2009	Adjustments	Pro Forma As of December 31, 2009
		(In millions, except common unit/share data)	
Condensed Pro Forma Balance Sheet:			
Assets			
Current assets			
Cash and cash equivalents	$ 64.9	—	$ 64.9
Accounts receivables, net	74.2	—	74.2
Inventories, net	63.4	—	63.4
Other	19.5	—	19.5
Total current assets	222.1		222.1
Property, plant and equipment, net	156.3	—	156.3
Intangible assets, net	50.2	—	50.2
Other non-current assets	24.8	—	24.8
Total assets	$ 453.3		$ 453.3
Liabilities and Unitholders' / Stockholders' Equity			
Current liabilities			
Accounts payable	$ 59.7	—	$ 59.7
Other accounts payable	7.2	—	7.2
Accrued expenses	22.1	—	22.1
Current portion of long-term debt	0.6	—	0.6
Other current liabilities	3.9	—	3.9
Total current liabilities	93.6	—	93.6
Long-term borrowings	61.1	—	61.1
Accrued severance benefits, net	72.4	—	72.4
Other non-current liabilities	10.5	—	10.5
Total liabilities	237.6		237.6
Commitments and contingencies			
Unitholders' / stockholders' equity(8)			
Common units; 375,000,000 units authorized, 307,083,996 issued and outstanding at December 31, 2009, actual, 0 units issued and outstanding at December 31, 2009, pro forma	55.1	—	—
Common stock; shares authorized, 0 shares issued and outstanding at December 31, 2009, actual, shares issued and outstanding at December 31, 2009, pro forma	—		
Additional paid-in capital	168.7		
Accumulated deficit	(2.0)	—	(2.0)
Accumulated other comprehensive (loss)	(6.2)	—	(6.2)
Total unitholders' / stockholders' equity	215.7		215.7
Total liabilities and unitholders' / stockholders' equity	$ 453.3		$ 453.3

Notes to Unaudited Pro Forma Consolidated Financial Information

(1) To reflect the net change in historical cost of sales and selling, general and administrative expenses and research and development expenses of the predecessor company due to the application of fresh-start accounting as of January 1, 2009 which resulted in a reduction of $13.9 million of tangible assets and an increase of $28.3 million in intangible assets. The corresponding change in depreciation and amortization would have been a decrease in depreciation expense for tangible assets by $7.4 million for the ten-month period ended October 25, 2009 and an increase in amortization expense for intangible assets by $9.1 million for the same period. The useful lives were determined for each tangible asset, which are depreciated on a straight-line basis and range from two to 35 years with a weighted average useful life of 14 years. Technology and customer relationships are amortized on a straight-line basis over one-half to five years based on expected benefit periods. Patents, trademarks and property use rights are amortized on a straight-line basis over the periods of benefits for four years. The estimated useful life of tangibles and intangibles were determined based on expected benefits and/or economic availability for service periods. The aggregate depreciation and amortization expense was allocated to cost of sales and selling, general and administrative expenses and research and development expenses by ($5.4) million, $0.8 million, and $6.4 million, respectively, in respect of the purpose of property, plant and equipment and intangible assets.

(2) To eliminate the one-time impact on cost of sales associated with the step up of our inventory of $17.9 million, of which $17.2 million was charged to cost of sales during the two-month period ended December 31, 2009, applying the first in, first out method, or FIFO. This adjustment is considered a material non-recurring adjustment and as such is being eliminated from the unaudited pro forma statements of operations.

(3) To eliminate interest expense of $21.6 million incurred on our notes of $750.0 million and $7.2 million incurred on the senior secured credit facility of $95.0 million which was recognized in the ten-month period ended October 25, 2009. This adjustment further eliminates the amortized debt issuance cost of $0.8 million in relation to this indebtedness which was also recognized in the ten-month period ended October 25, 2009. In addition, the pro forma adjustment assumes the outstanding new term loan of $61.8 million was outstanding as of January 1, 2009. The resulting additional interest expense from our new term loan would have been $6.6 million using the interest rate of 12.6%, which represents the 6 month LIBOR rate of 0.6% as of October 26, 2009, the date of our emergence from bankruptcy plus 12%. If interest rates were one eighth of a percentage point higher or lower, our pro forma interest expense would have increased or decreased respectively by $0.03 million for the ten-month period ended October 25, 2009.

(4) To reflect the elimination of the impact of the reorganization items, net recorded in the predecessor period in accordance with ASC 852 upon emergence from the reorganization proceedings, assumed to have occurred January 1, 2009 for the unaudited pro forma statement of operations. As such no adjustment for reorganization items should be reflected.

(5) We believe that the pro forma adjustments should not have an impact on income tax expense for 2009 due to our foreign subsidiary losses and because MagnaChip Semiconductor Corporation, as converted, would not have had taxable income during 2009. With respect to taxable periods after 2009, MagnaChip Semiconductor Corporation's corporate status may result in U.S. federal income tax expense.

(6) To eliminate dividends accrued on preferred units, cancelled in connection with our emergence from reorganization proceedings, in the amount of $6.3 million as of October 25, 2009.

(7) Basic and diluted pro forma income per share reflects (a) the consummation of the corporate conversion of MagnaChip Semiconductor LLC and the effectiveness of our certificate of incorporation, which is expected to occur prior to the closing of this offering and (b) the automatic conversion of all of the outstanding common units of MagnaChip Semiconductor LLC for shares of our common stock

at a ratio of . The following table sets forth the computation of unaudited pro forma basic and diluted income per share:

	Year Ended December 31, 2009	
	Common Units/ Shares	Earnings per Common Unit/Share
Weighted average common units — basic and diluted	307,083,996	$
Pro forma weighted average shares — basic and diluted		$

(8) To reflect the change in the capitalization structure of MagnaChip Semiconductor LLC upon its conversion to a corporation by an automatic conversion of all of the outstanding common units of MagnaChip Semiconductor LLC for shares of our common stock at a ratio of , upon the corporate conversion.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the "Selected Historical Consolidated Financial and Operating Data" and our consolidated financial statements and the related notes included elsewhere in this prospectus. This discussion and analysis contains, in addition to historical information, forward-looking statements that include risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under the heading "Risk Factors" and elsewhere in this prospectus.

Overview

We are a Korea-based designer and manufacturer of analog and mixed-signal semiconductor products for high-volume consumer applications. We believe we have one of the broadest and deepest analog and mixed-signal semiconductor technology platforms in the industry, supported by our 30-year operating history, large portfolio of approximately 3,600 novel registered and pending patents and extensive engineering and manufacturing process expertise. Our business is comprised of three key segments: Display Solutions, Power Solutions and Semiconductor Manufacturing Services. Our Display Solutions products include display drivers for use in a wide range of flat panel displays and multimedia devices. Our Power Solutions products include discrete and integrated circuit solutions for power management in high-volume consumer applications. Our Semiconductor Manufacturing Services segment provides specialty analog and mixed-signal foundry services for fabless semiconductor companies that serve the consumer, computing and wireless end markets.

Our wide variety of analog and mixed-signal semiconductor products and manufacturing services combined with our deep technology platform allows us to address multiple high-growth end markets and to rapidly develop and introduce new products and services in response to market demands. Our substantial manufacturing operations in Korea and design centers in Korea and Japan place us at the core of the global consumer electronics supply chain. We believe this enables us to quickly and efficiently respond to our customers' needs and allows us to better service and capture additional demand from existing and new customers.

To maintain and increase our profitability, we must accurately forecast trends in demand for consumer electronics products that incorporate semiconductor products we produce. We must understand our customers' needs as well the likely end market trends and demand in the markets they serve. We must balance the likely manufacturing utilization demand of our product businesses and foundry business to optimize our facilities utilization. We must also invest in relevant research and development activities and manufacturing capacity and purchase necessary materials on a timely basis to meet our customers' demand while maintaining our target margins and cash flow.

The semiconductor markets in which we participate are highly competitive. The prices of our products tend to decrease regularly over their useful lives, and such price decreases can be significant as new generations of products are introduced by us or our competitors. We strive to offset the impact of declining selling prices for existing products through cost reductions and the introduction of new products that command selling prices above the average selling price of our existing products. In addition, we seek to manage our inventories and manufacturing capacity so as to mitigate the risk of losses from product obsolescence.

Demand for our products and services is driven primarily by overall demand for consumer electronics products and can be adversely affected by periods of weak consumer spending or by market share losses by our customers. To mitigate the impact of market volatility on our business, we seek to address market segments and geographies with higher growth rates than the overall consumer electronics industry. For example, in recent years, we have experienced increasing demand from OEMs and consumers in China and Taiwan relative to overall demand for our products and

services. We expect to derive a meaningful portion of our growth from growing demand in such markets. We also expect that new competitors will emerge in these markets that may place increased pressure on the pricing for our products and services, but we believe that we will be able to successfully compete based upon our higher quality products and services and that the impact from the increased competition will be more than offset by increased demand arising from such markets. Further, we believe we are well-positioned competitively as a result of our long operating history, existing manufacturing capacity and our Korea-based operations.

Within our Display Solutions and Power Solutions segments, net sales are driven by design wins in which we or another company is selected by an electronics OEM or other potential customer to supply its demand for a particular product. A customer will often have more than one supplier designed in to multi-source components for a particular product line. Once designed in, we often specify the pricing of a particular product for a set period of time, with periodic discussions and renegotiations of pricing with our customers. In any given period, our net sales depend heavily upon the end-market demand for the goods in which our products are used, the inventory levels maintained by our customers and in some cases, allocation of demand for components for a particular product among selected qualified suppliers.

Within the Semiconductor Manufacturing Services business, net sales are driven by customers' decisions on which manufacturing services provider to use for a particular product. Most of our semiconductor manufacturing services customers are fabless and depend upon service providers like us to manufacture their products. A customer will often have more than one supplier of manufacturing services; however, they tend to allocate a majority of manufacturing volume to one of their suppliers. We strive to be the primary supplier of manufacturing services to our customers. Once selected as a primary supplier, we often specify the pricing of a particular service on a per wafer basis for a set period of time, with periodic discussions and renegotiations of pricing with our customers. In any given period, our net sales depend heavily upon the end-market demand for the goods in which the products we manufacture for customers are used, the inventory levels maintained by our customers and in some cases, allocation of demand for manufacturing services among selected qualified suppliers.

Our products and services require investments in capital equipment. Analog and mixed-signal manufacturing facilities and processes are typically distinguished by the design and process implementation expertise rather than the use of the most advanced equipment. As a result, our manufacturing base and strategy does not require substantial investment in leading edge process equipment, allowing us to utilize our facilities and equipment over an extended period of time with moderate required capital investments. Generally, incremental capacity expansions in our segment of the market result in more moderate industry capacity expansion as compared to leading edge processes. As a result, this market, and we, specifically, are less likely to experience significant industry overcapacity, which can cause product prices to plunge dramatically. In general, we seek to invest in manufacturing capacity that can be used for multiple high-value applications over an extended period of time. We believe this capital investment strategy enables us to optimize our capital investments and facilitates deeper and more diversified product and service offerings.

Our success going forward will depend upon our ability to adapt to future challenges such as the emergence of new competitors for our products and services or the consolidation of current competitors. Additionally, we must innovate to remain ahead of, or at least rapidly adapt to, technological breakthroughs that may lead to a significant change in the technology necessary to deliver our products and services. We believe that our established relationships and close collaboration with leading customers, such as LG Display, Sharp, and Samsung, enhance our visibility into new product opportunities, market and technology trends and improve our ability to meet these challenges successfully. In our Semiconductor Manufacturing Services business, we strive to maintain competitiveness and our position as a primary manufacturing services provider to our customers by offering high value added, unique processes, high flexibility and excellent service.

In connection with the audits of our consolidated financial statements for the ten-month period ended October 25, 2009 and two-month period ended December 31, 2009, our independent registered public accounting firm has reported two control deficiencies which represent a material weakness in our internal control over financial reporting. The two control deficiencies that our independent registered public accounting firm reported to our board of directors (as we then did not have a separate audit committee), are that we do not have a sufficient number of financial personnel with requisite financial accounting experience, and that our internal controls over non-routine transactions are not effective to ensure that accounting considerations are identified and appropriately recorded.

Recent Changes to Our Business

Beginning in the second half of 2008, we began to take steps to refocus our business strategy, enhance our operating efficiency and improve our cash flow and profitability. We restructured our continuing operations by reducing our cost structure, increasing our focus on our core, profitable technologies, products and customers, and implemented various initiatives to lower our manufacturing costs and improve our gross margins. In connection with these initiatives, we closed our Imaging Solutions business segment, which had been a source of substantial ongoing operating losses amounting to $91.5 million and $51.7 million in 2008 and 2007, respectively, and which required substantial ongoing capital investment. Our employee headcount has declined from 3,648 as of the end of July 2008 to 3,156 at the end of 2009.

On June 12, 2009, we filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in order to address the growing demands on our cash flow resulting from our long-term indebtedness. Our plan of reorganization went effective and we emerged from the reorganization proceeding on November 9, 2009. As a result of the plan of reorganization, our indebtedness was reduced from $845.0 million immediately prior to the effectiveness of our plan of reorganization to $61.8 million as of December 31, 2009.

During the first half of 2009, we instituted company-wide salary reductions, which resulted in one-time savings for our continuing operations during 2009 and which in turn contributed to the decrease in salaries and related expenses in 2009 relative to 2008. We reinstated salaries to prior levels in July 2009.

In connection with our emergence from reorganization proceedings, we implemented fresh-start accounting in accordance with ASC 852 governing reorganizations. We elected to adopt a convenience date of October 25, 2009 (a month end for our financial reporting purposes) for application of fresh-start accounting. In accordance with ASC 852 governing reorganizations, we recorded largely non-cash reorganization income and expense items directly associated with our reorganization proceedings including professional fees, the revaluation of assets, the effects of our reorganization plan and fresh-start accounting, and write-off of debt issuance costs.

In implementing fresh-start accounting, we re-measured our asset values and stated all liabilities, other than deferred taxes and severance benefits, at fair value or at the present values of the amounts to be paid using appropriate market interest rates. Our reorganization value was determined based on consideration of numerous factors and various valuation methodologies, including discounted cash flows, believed by management and our financial advisors to be representative of our business and industry. Information regarding the determination of the reorganization value and application of fresh-start accounting is included in note 3 to the consolidated financial statements of MagnaChip Semiconductor LLC for the ten months ended October 25, 2009 and the two months ended December 31, 2009 included elsewhere in this prospectus. In addition, under fresh-start accounting, accumulated deficit and accumulated other comprehensive income were eliminated.

Under fresh-start accounting, our inventory, net, and intangible assets, net, increased by $17.9 million and $28.3 million, respectively, and property, plant and equipment decreased by

$13.9 million, in each case to reflect the estimated fair value as of our emergence from our reorganization proceedings. As a result, our cost of sales for the two-month period ended December 31, 2009 included approximately $17.2 million of additional costs from the inventory step-up. This resulted in our gross margin for the two-month period ended December 31, 2009 being significantly lower than for the ten-month period ended October 25, 2009 and prior periods. The increase in intangible assets results in higher amortization expenses following our emergence from our reorganization proceedings which are included in cost of sales, selling general and administrative expenses and research and development expenses. The decrease in property and plant and equipment results in lower depreciation expenses, which are included in cost of sales, selling general and administrative expenses and research and development expenses following our emergence from our reorganization proceedings.

As a result of the application of fresh-start accounting, our consolidated financial statements prior to and including October 25, 2009 represent the operations of our pre-reorganization predecessor company and are presented separately from the consolidated financial statements of our post-reorganization successor company. For the purposes of our discussion and analysis of our results of operations, we often refer to results of operations for 2009 on a combined basis, including both the period before (predecessor company) and after (successor company) effectiveness of the plan of reorganization. We believe this comparison provides useful information as the principal impact of the plan of reorganization was on our debt and capital structure and not on our core operations; and many of the steps taken to improve our core operations had commenced prior to the commencement of our reorganization proceedings.

Business Segments

We report in three separate business segments because we derive our revenues from three principal business lines: Display Solutions, Power Solutions, and Semiconductor Manufacturing Services. We have identified these segments based on how we allocate resources and assess our performance.

- ***Display Solutions:*** Our Display Solutions products include source and gate drivers and timing controllers that cover a wide range of flat panel displays used in LCD televisions and LED televisions and displays, mobile PCs and mobile communications and entertainment devices. Our display solutions support the industry's most advanced display technologies, such as LTPS and AMOLED, as well as high-volume display technologies such as TFT.
- ***Power Solutions:*** Our Power Solutions segment produces power management semiconductor products including discrete and integrated circuit solutions for power management in high-volume consumer applications. These products include MOSFETs, LED drivers, DC-DC converters, analog switches and linear regulators, such as low-dropout regulators, or LDOs. Our power solutions products are designed for applications such as mobile phones, LCD televisions, and desktop computers, and allow electronics manufacturers to achieve specific design goals of high efficiency and low standby power consumption. Going forward, we expect to continue to expand our power management product portfolio.
- ***Semiconductor Manufacturing Services:*** Our Semiconductor Manufacturing Services segment provides specialty analog and mixed-signal foundry services to fabless semiconductor companies that serve the consumer, computing and wireless end markets. We manufacture wafers based on our customers' product designs. We do not market these products directly to end customers but rather supply manufactured wafers and products to our customers to market to their end customers. We offer approximately 200 process flows to our manufacturing services customers. We also often partner with key customers to jointly develop or customize specialized processes that enable our customers to improve their products and allow us to develop unique manufacturing expertise. Our manufacturing services are targeted at customers who require differentiated, specialty analog and mixed-signal process technologies

such as high voltage CMOS, embedded memory and power. These customers typically serve high-growth and high-volume applications in the consumer, computing and wireless end markets.

Additional Business Metrics Evaluated by Management

Adjusted EBITDA and Adjusted Net Income

We use the terms Adjusted EBITDA and Adjusted Net Income throughout this prospectus. Adjusted EBITDA, as we define it, is a non-GAAP measure. We define Adjusted EBITDA as net income (loss) less income (loss) from discontinued operations, net of taxes excluding (i) depreciation and amortization associated with continuing operations, (ii) interest expense, net, (iii) income tax expense, (iv) restructuring and impairment charges, (v) other restructuring charges, (vi) abandoned IPO expenses, (vii) subcontractor claim settlement, (viii) reorganization items, net, (ix) the increase in cost of sales resulting from the fresh-start inventory accounting step-up, (x) equity-based compensation expense, and (xi) foreign currency gain (loss), net. We define Adjusted Net Income as net income (loss) less income (loss) from discontinued operations, net of taxes excluding (i) restructuring and impairment charges, (ii) other restructuring charges, (iii) reorganization items, net, (iv) the increase in cost of sales resulting from the fresh-start inventory accounting step-up, (v) equity-based compensation expense, (vi) amortization of intangibles, and (vii) foreign currency gain (loss).

We present Adjusted EBITDA as a supplemental measure of our performance because:

- Adjusted EBITDA eliminates the impact of a number of items that may be either one time or recurring that we do not consider to be indicative of our core ongoing operating performance;
- we believe that Adjusted EBITDA is an enterprise level performance measure commonly reported and widely used by analysts and investors in our industry;
- we anticipate that our investor and analyst presentations after we are public will include Adjusted EBITDA; and
- we believe that Adjusted EBITDA provides investors with a more consistent measurement of period to period performance of our core operations, as well as a comparison of our operating performance to companies in our industry.

We use Adjusted Net Income for a number of reasons, including:

- we use Adjusted Net Income in communications with our board of directors concerning our consolidated financial performance;
- we believe that Adjusted Net Income is an enterprise level performance measure commonly reported and widely used by analysts and investors in our industry; and
- we anticipate that our investor and analyst presentations after we are public will include Adjusted Net Income.

In evaluating Adjusted EBITDA and Adjusted Net Income, you should be aware that in the future we may incur expenses similar to the adjustments in our presentation of Adjusted EBITDA. Our presentation of Adjusted EBITDA and Adjusted Net Income should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Adjusted EBITDA and Adjusted Net Income are not measures defined in accordance with GAAP and should not be construed as an alternative to operating income, cash flows from operating activities or net income (loss), as determined in accordance with GAAP. For additional information regarding how we calculate Adjusted EBITDA and Adjusted Net Income, please see “Prospectus Summary — Summary Historical and Unaudited Pro Forma Consolidated Financial Data.”

On a pro forma basis, our Adjusted EBITDA and Adjusted Net Income for the year ended December 31, 2009 were $98.7 million and $53.0 million, respectively. Our Adjusted EBITDA and Adjusted Net Income for the year ended December 31, 2008 were $59.8 million and a loss of

$71.7 million, respectively. This improvement resulted from the appreciation of the Korean won against the U.S. dollar as described below, our restructuring efforts and improvements in market conditions.

Factors Affecting Our Results of Operations

Net Sales. We derive a majority of our sales (net of sales returns and allowances) from three reportable segments: Display Solutions, Power Solutions and Semiconductor Manufacturing Services. Our product inventory is primarily located in Korea and is available for drop shipment globally. Outside of Korea, we maintain limited product inventory, and our sales representatives generally relay orders to our factories in Korea for fulfillment. We have strategically located our sales and technical support offices near concentrations of major customers. Our sales offices are located in Hong Kong, Japan, Korea, Taiwan, China, the United Kingdom and the United States. Our network of authorized agents and distributors consists of agents in the United States and Europe and distributors and agents in the Asia Pacific region. Our net sales from All other consist principally of rental income and, for 2007 and to a limited extent in 2008, semiconductor processing services for one customer where we completed a limited number of process steps, rather than the entire production process, which we refer to as unit processing.

We recognize revenue when risk and reward of ownership passes to the customer either upon shipment, upon product delivery at the customer's location or upon customer acceptance, depending on the terms of the arrangement. For the year ended December 31, 2009, we sold products to over 185 customers, and our net sales to our ten largest customers represented approximately 69% of our aggregate 2009 net sales. We have a combined production capacity of over 131,000 eight-inch equivalent semiconductor wafers per month. We believe our large-scale, cost-effective fabrication facilities enable us to rapidly adjust our production levels to meet shifts in demand by our end customers.

Gross Profit. Our overall gross profit generally fluctuates as a result of changes in overall sales volumes and in the average selling prices of our products and services. Other factors that influence our gross profit include changes in product mix, the introduction of new products and services and subsequent generations of existing products and services, shifts in the utilization of our manufacturing facilities and the yields achieved by our manufacturing operations, changes in material, labor and other manufacturing costs and variation in depreciation expense.

Average Selling Prices. Average selling prices for our products tend to be highest at the time of introduction of new products which utilize the latest technology and tend to decrease over time as such products mature in the market and are replaced by next generation products. We strive to offset the impact of declining selling prices for existing products through our product development activities and by introducing new products that command selling prices above the average selling price of our existing products. In addition, we seek to manage our inventories and manufacturing capacity so as to preclude losses from product and productive capacity obsolescence.

Material Costs. Our cost of sales consists of costs of raw materials, such as silicon wafers, chemicals, gases and tape, packaging supplies, equipment maintenance and depreciation expenses. We use processes that require specialized raw materials, such as silicon wafers, that are generally available from a limited number of suppliers. If demand increases or supplies decrease, the costs of our raw materials could significantly increase.

Labor Costs. A significant portion of our employees are located in Korea. Under Korean labor laws, most employees and certain executive officers with one or more years of service are entitled to severance benefits upon the termination of their employment based on their length of service and rate of pay. As of December 31, 2009, approximately 98% of our employees were eligible for severance benefits. We have in the past implemented temporary reductions in salaries to manage through downturns in the industry. We expect to and have reversed such temporary reductions when business conditions improve.

Depreciation Expense. We periodically evaluate the carrying values of long-lived assets, including property, plant and equipment and intangible assets, as well as the related depreciation periods. At December 31, 2009, we depreciated our property, plant and equipment using the straight-line method over the estimated useful lives of our assets. Depreciation rates vary from 30-40 years on buildings to five years for certain equipment and assets. Our evaluation of carrying values is based on various analyses including cash flow and profitability projections. If our projections indicate that future undiscounted cash flows are not sufficient to recover the carrying values of the related long-lived assets, the carrying value of the assets is impaired and will be reduced, with the reduction charged to expense so that the carrying value is equal to fair value.

Selling Expenses. We sell our products worldwide through a direct sales force as well as a network of sales agents and representatives to OEMs, including major branded customers and contract manufacturers, and indirectly through distributors. Selling expenses consist primarily of the personnel costs for the members of our direct sales force, a network of sales representatives and other costs of distribution. Personnel costs include base salary, benefits and incentive compensation. As incentive compensation is tied to various net sales goals, it will increase or decrease with net sales.

General and Administrative Expenses. General and administrative expenses consist of the costs of various corporate operations, including finance, legal, human resources and other administrative functions. These expenses primarily consist of payroll-related expenses, consulting and other professional fees and office facility-related expenses. Historically, our selling, general and administrative expenses have remained relatively constant as a percentage of net sales, and we expect this trend to continue in the future.

Research and Development. The rapid technological change and product obsolescence that characterize our industry require us to make continuous investments in research and development. Product development time frames vary but, in general, we incur research and development costs one to two years before generating sales from the associated new products. These expenses include personnel costs for members of our engineering workforce, cost of photomasks, silicon wafers and other non-recurring engineering charges related to product design. Additionally, we develop base-line process technology through experimentation and through the design and use of characterization wafers that help achieve commercially feasible yields for new products. The majority of research and development expenses are for process development that serves as a common technology platform for all of our product segments. Consequently, we do not allocate these expenses to individual segments. Although our research and development expenses declined significantly from 2008 to 2009, we expect such expenses to increase in 2010 and future periods and to remain a relatively constant percentage of our net sales as we continue to increase our investments in research and development to develop additional products and expand our business.

Restructuring and Impairment Charges. We evaluate the recoverability of certain long-lived assets on a periodic basis or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. In our efforts to improve our overall profitability in future periods, we have closed or otherwise impaired, and may in the future close or impair, facilities that are underutilized and that are no longer aligned with our long-term business goals. For example, in 2007 we closed our five-inch fabrication facilities in Gumi, Korea and in 2008 we discontinued our Imaging Solutions business segment.

Interest Expense, Net. Our interest expense is incurred under the Predecessor Company's senior secured credit facility, the Predecessor Company's second priority senior secured notes and senior subordinated notes and the Successor Company's new term loan under the Successor Company. Our new term loan bears interest at six-month LIBOR plus 12%, and was minimally offset by interest income on cash balances. As a result of our reorganization, we expect that our interest expense will decrease in amount and as a percentage of net sales relative to historical periods.

Impact of Foreign Currency Exchange Rates on Reported Results of Operations. Historically, a portion of our revenues and greater than the majority of our operating expenses and costs of sales have been denominated in non-U.S. currencies, principally the Korean won, and we expect that this will remain true in the future. Because we report our results of operations in U.S. dollars, changes in the exchange rate between the Korean won and the U.S. dollar could materially impact our reported results of operations and distort period to period comparisons. In particular, because of the difference in the amount of our consolidated revenues and expenses that are in U.S. dollars relative to Korean won, depreciation in the U.S. dollar relative to the Korean won could result in a material increase in reported costs relative to revenues, and therefore could cause our profit margins and operating income (loss) from continuing operations to appear to decline materially, particularly relative to prior periods. The converse is true if the U.S. dollar were to appreciate relative to the Korean won. As a result of such foreign currency fluctuations, it could be more difficult to detect underlying trends in our business and results of operations. In addition, to the extent that fluctuations in currency exchange rates cause our results of operations to differ from our expectations or the expectations of our investors, the trading price of our stock could be adversely affected.

For periods ending on or prior to October 25, 2009, we converted our non-U.S. revenues and expenses into U.S. dollars based on cumulative average exchange rates over the periods presented. Beginning on October 25, 2009, we convert our non-U.S. revenues and expenses into U.S. dollars based on monthly average exchange rates. The following table provides the cumulative average exchange rates that we used to convert Korean won into U.S. dollars for each of the periods ending on our prior to October 25, 2009, as well as the monthly average exchange rates used for the two months ended December 31, 2009:

Period	Rate
Year ended December 31, 2007	928:1
Year ended December 31, 2008	1,098:1
Ten months ended October 25, 2009	1,302:1
Two months ended December 31, 2009	
November	1,172:1
December	1,165:1

As a result of the depreciation of the Korean won against the U.S. dollar from 2007 to 2008 and from 2008 to 2009, foreign currency fluctuations generally had a materially beneficial impact on our reported profit margins and operating income (loss) from continuing operations for such periods.

From time to time, we may engage in exchange rate hedging activities in an effort to mitigate the impact of exchange rate fluctuations. For example, in January 2010 our Korean subsidiary entered into foreign currency option and forward contracts in order to mitigate a portion of the impact of U.S. dollar-Korean won exchange rate fluctuations on our operating results. These option and forward contracts require us to sell specified notional amounts in U.S. dollars and provide us the option to sell specified notional amounts in U.S. dollars during each month of 2010 commencing February 2010 to our counterparty, in each case, in exchange for Korean won at specified fixed exchange rates. Obligations under these foreign currency option and forward contracts must be cash collateralized if our exposure exceeds certain specified thresholds. These option and forward contracts may be terminated by the counterparty in a number of circumstances, including if our long-term debt rating falls below B-/B3 or if our total cash and cash equivalents is less than $12.5 million at the end of a fiscal quarter. For further information regarding the derivative financial instruments, see note 27 to the consolidated financial statements of MagnaChip Semiconductor LLC for the ten-month period ended October 25, 2009 and the two-month period ended December 31, 2009 elsewhere in this prospectus.

Foreign Currency Gain or Loss. Foreign currency translation gains or losses on transactions by us or our subsidiaries in a currency other than our or our subsidiaries' functional currency are

included in our statements of operations as a component of other income (expense). A substantial portion of this net foreign currency gain or loss relates to non-cash translation gain or loss related to the principal balance of intercompany borrowings at our Korean subsidiary that are denominated in U.S. dollars. This gain or loss results from fluctuations in the exchange rate between the Korean won and U.S. dollar.

Income Taxes. We record our income taxes in each of the tax jurisdictions in which we operate. This process involves using an asset and liability approach whereby deferred tax assets and liabilities are recorded for differences in the financial reporting bases and tax bases of our assets and liabilities. We exercise significant management judgment in determining our provision for income taxes, deferred tax assets and liabilities. We periodically evaluate our deferred tax assets to ascertain whether it is more likely than not that the deferred tax assets will be realized. Our income tax expense has been low in absolute dollars and as a percentage of net sales principally due to the availability of tax loss carry-forwards and we expect such rate to remain low for at least the next few years.

Our operations are subject to income and transaction taxes in Korea and in multiple foreign jurisdictions. Significant estimates and judgments are required in determining our worldwide provision for income taxes. Some of these estimates are based on interpretations of existing tax laws or regulations. The ultimate amount of tax liability may be uncertain as a result.

Capital Expenditures. We invest in manufacturing equipment, software design tools and other tangible and intangible assets for capacity expansion and technology improvement. Capacity expansions and technology improvements typically occur in anticipation of seasonal increases in demand. We typically pay for capital expenditures in partial installments with portions due on order, delivery and final acceptance.

Inventories. We monitor our inventory levels in light of product development changes and market expectations. We may be required to take additional charges for quantities in excess of demand, cost in excess of market value and product age. Our analysis may take into consideration historical usage, expected demand, anticipated sales price, new product development schedules, the effect new products might have on the sales of existing products, product age, customer design activity, customer concentration and other factors. These forecasts require us to estimate our ability to predict demand for current and future products and compare those estimates with our current inventory levels and inventory purchase commitments. Our forecasts for our inventory may differ from actual inventory use.

Principles of Consolidation. Our consolidated financial statements include the accounts of our company and our wholly-owned subsidiaries. All significant intercompany transactions and balances are eliminated in consolidation.

Segments. We operate in three segments: Display Solutions, Power Solutions and Semiconductor Manufacturing Services. Our Power Solutions segment began to generate net sales in the second quarter of 2008. Net sales and gross profit for the All other category primarily relate to certain business activities that do not constitute operating or reportable segments.

Results of Operations

The following table sets forth, for the periods indicated, certain information related to our operations, expressed in U.S. dollars and as a percentage of our net sales:

	Successor Company		Predecessor Company					
	Two-Month Period Ended December 31, 2009		Ten-Month Period Ended October 25, 2009		Years Ended December 31,			
					2008		2007	
	Amount	%of net sales	Amount	%of net sales	Amount	%of net sales	Amount	%of net sales
			(In millions)					
Consolidated statements of operations data:								
Net sales	$ 111.1	100.0%	$ 449.0	100.0%	$ 601.7	100.0%	$ 709.5	100.0%
Cost of sales	90.4	81.4	311.1	69.3	445.3	74.0	578.9	81.6
Gross profit	20.7	18.6	137.8	30.7	156.4	26.0	130.7	18.4
Selling, general and administrative expenses	14.5	13.1	56.3	12.5	81.3	13.5	82.7	11.7
Research and development expenses	14.7	13.3	56.1	12.5	89.5	14.9	90.8	12.8
Restructuring and impairment charges	—	—	0.4	0.1	13.4	2.2	12.1	1.7
Operating income (loss) from continuing operations	(8.6)	(7.7)	25.0	5.6	(27.7)	(4.6)	(54.9)	(7.7)
Interest expense, net	1.3	1.1	31.2	6.9	76.1	12.7	60.3	8.5
Foreign currency gain (loss), net	9.3	8.4	43.4	9.7	(210.4)	(35.0)	(4.7)	(0.7)
Reorganization items, net	—	—	804.6	179.2	—	—	—	—
	8.1	7.3	816.8	181.9	(286.5)	(47.6)	(65.0)	(9.2)
Income (loss) continuing operations before income taxes	(0.5)	(0.5)	841.8	187.5	(314.3)	(52.2)	(120.0)	(16.9)
Income tax expenses	1.9	1.8	7.3	1.6	11.6	1.9	8.8	1.2
Income (loss) from continuing operations	(2.5)	(2.2)	834.5	185.9	(325.8)	(54.2)	(128.8)	(18.2)
Income (loss) from discontinued operations, net of taxes	0.5	0.5	6.6	1.5	(91.5)	(15.2)	(51.7)	(7.3)
Net income (loss)	$ (2.0)	(1.8)%	$ 841.1	187.3%	$ (417.3)	(69.4)%	$ (180.6)	(25.4)%
Net Sales:								
Display Solutions	$ 51.0	46.0%	$ 231.9	51.6%	$ 304.1	50.5%	$ 331.7	46.7%
Power Solutions	4.7	4.3	7.6	1.7	5.4	0.9	—	—
Semiconductor Manufacturing Services	54.8	49.3	206.7	46.0	287.1	47.7	321.0	45.2
All other	0.5	0.5	2.8	0.6	5.0	0.8	56.8	8.0
	$ 111.1	100.0%	$ 449.0	100.0%	$ 601.7	100.0%	$ 709.5	100.0%

Results of Operations — Comparison of Years ended December 31, 2009 and December 31, 2008

The following table sets forth consolidated results of operations for the two-month period ended December 31, 2009, the ten-month period ended October 25, 2009 and the year ended December 31, 2008:

	Successor Company		Predecessor Company				
	Two-Month Period Ended December 31, 2009		Ten-Month Period Ended October 25, 2009		Year Ended December 31, 2008		Change
	Amount	%of net sales	Amount	%of net sales	Amount	%of net sales	Amount
			(In millions)				
Net sales	$ 111.1	100.0%	$ 449.0	100.0%	$ 601.7	100.0%	$ (41.6)
Cost of sales	90.4	81.4	311.1	69.3	445.3	74.0	(43.7)
Gross profit	20.7	18.6	137.8	30.7	156.4	26.0	2.1
Selling, general and administrative expenses	14.5	13.1	56.3	12.5	81.3	13.5	(10.5)
Research and development expenses	14.7	13.3	56.1	12.5	89.5	14.9	(18.6)
Restructuring and impairment charges	—	—	0.4	0.1	13.4	2.2	(12.9)
Operating income (loss) from continuing operations	(8.6)	(7.7)	25.0	5.6	(27.7)	(4.6)	44.1
Interest expense, net	1.3	1.1	31.2	6.9	76.1	12.7	(43.7)
Foreign currency gain (loss), net	9.3	8.4	43.4	9.7	(210.4)	(35.0)	263.2
Reorganization items, net	—	—	804.6	179.2	—	—	804.6
	8.1	7.3	816.8	181.9	(286.5)	(47.6)	1,111.5
Income (loss) continuing operations before income taxes	(0.5)	(0.5)	841.8	187.5	(314.3)	(52.2)	1,155.5
Income tax expenses	1.9	1.8	7.3	1.6	11.6	1.9	(2.3)
Income (loss) from continuing operations	(2.5)	(2.2)	834.5	185.9	(325.8)	(54.2)	1,157.9
Income (loss) from discontinued operations, net of taxes	0.5	0.5	6.6	1.5	(91.5)	(15.2)	98.6
Net income (loss)	$ (2.0)	(1.8)%	$ 841.1	187.3%	$ (417.3)	(69.4)%	$ 1,256.4

Net Sales

	Successor Company		Predecessor Company				
	Two-Month Period Ended December 31, 2009		Ten-Month Period Ended October 25, 2009		Year Ended December 31, 2008		Change
	Amount	%of net sales	Amount	%of net sales	Amount	%of net sales	Amount
			(In millions)				
Display Solutions	$ 51.0	46.0%	$ 231.9	51.6%	$ 304.1	50.5%	$ (21.2)
Power Solutions	4.7	4.3	7.6	1.7	5.4	0.9	6.9
Semiconductor Manufacturing Services	54.8	49.3	206.7	46.0	287.1	47.7	(25.7)
All other	0.5	0.5	2.8	0.6	5.0	0.8	(1.7)
	$ 111.1	100.0%	$ 449.0	100.0%	$ 601.7	100.0%	$ (41.6)

Net sales were $111.1 million for the two-month period ended December 31, 2009 and $449.0 million for the ten-month period ended October 25, 2009, or $560.1 million in aggregate, a

$41.6 million, or 6.9%, decrease, compared to $601.7 million in 2008. Net sales generated in our three operating segments during 2009 in aggregate were $556.7 million, a decrease of $39.9 million, or 6.7%, from 2008, due to the worldwide economic slowdown that resulted in lower consumer demand, fewer new customer additions and new product introductions, fewer design wins and the depreciation of the Korean won against the U.S. dollar. Among our segments, net sales decreased for our Display Solutions and our Semiconductor Manufacturing Service segments which was offset in part by an increase in net sales from our Power Solutions segment.

Display Solutions. Net sales from Display Solutions were $51.0 million for the two-month period ended December 31, 2009 and $231.9 million for the ten-month period ended October 25, 2009, or $282.9 million in aggregate, a $21.2 million, or 7.0%, decrease from $304.1 million for 2008. The decrease resulted from a 24.9% decrease in average selling prices, primarily from display driver products for LCD televisions, PC monitors and mobile devices. The reduction in average selling prices in 2009 resulted in part from reduced demand for consumer electronics products generally, and new products in particular, during the first half of 2009 as a result of the worldwide economic slowdown. These decreases in average selling prices were partially offset by a 24.6% increase in sales volume. Volume increased in the second half of 2009 as the consumer electronics industry began to recover from the economic slowdown.

Power Solutions. Net sales from Power Solutions were $4.7 million for the two-month period ended December 31, 2009 and $7.6 million for the ten-month period ended October 25, 2009, or $12.4 million in aggregate, a $6.9 million, or 127.6%, increase from $5.4 million for 2008. The increase resulted from a 221.3% increase in sales volume, most of which was attributable to higher demand for MOSFET products driven by our existing and new customers. We were able to attract new customers, largely due to MOSFET products utilized in high voltage technologies and computing solutions.

Semiconductor Manufacturing Services. Net sales from Semiconductor Manufacturing Services were $54.8 million for the two-month period ended December 31, 2009 and $206.7 million for the ten-month period ended October 25, 2009, or $261.4 million in aggregate, a $25.7 million, or 8.9%, decrease compared to net sales of $287.1 million for 2008. This decrease was primarily due to a 0.5% decrease in sales volume and 3.4% decrease in average selling price of eight-inch equivalent wafers given decreased market demand for such products.

All other. Net sales from All other were $0.5 million for the two-month period ended December 31, 2009 and $2.8 million for the ten-month period ended October 25, 2009, or $3.3 million in aggregate compared to $5.0 million for 2008. This decrease of $1.7 million, or 33.6%, resulted from lower rental income due to the relocation of one of the lessees of one of our buildings.

Net Sales by Geographic Region

The following table sets forth our net sales by geographic region and the percentage of total net sales represented by each geographic region for the two-month period ended December 31, 2009, the ten-month period ended October 25, 2009 and the year ended December 31, 2008:

	Successor Company		Predecessor Company				
	Two-Month Period Ended December 31, 2009		Ten-Month Period Ended October 25, 2009		Year Ended December 31, 2008		Change
	Amount	% of net sales	Amount	% of net sales	Amount	% of net sales	Amount
			(In millions)				
Korea	$ 62.2	56.0%	$ 244.3	54.4%	$ 301.0	50.0%	$ 5.5
Asia Pacific	25.6	23.0	116.9	26.0	144.5	24.0	(2.0)
Japan	6.5	5.8	31.6	7.0	79.9	13.3	(41.8)
North America	14.9	13.4	48.5	10.8	61.3	10.2	2.0
Europe	1.9	1.7	7.7	1.7	14.9	2.5	(5.4)
	$ 111.1	100.0%	$ 449.0	100.0%	$ 601.7	100.0%	$ (41.6)

Net sales in Japan in 2009 declined as a percentage of total net sales principally as a result of declines in customer sales relating to electronic games due to the overall slowness in that market.

Gross Profit

	Successor Company		Predecessor Company				
	Two-Month Period Ended December 31, 2009		Ten-Month Period Ended October 25, 2009		Year Ended December 31, 2008		Change
	Amount	% of net sales	Amount	% of net sales	Amount	% of net sales	Amount
			(In millions)				
Display Solutions	$ 8.7	17.1%	$ 61.8	26.6%	$ 57.4	18.9%	$ 13.1
Power Solutions	0.7	15.5	1.4	18.8	(4.3)	(78.6)	6.4
Semiconductor Manufacturing Services	10.7	19.5	71.8	34.8	98.4	34.3	(15.9)
All other	0.5	100.0	2.8	100.0	4.9	97.3	(1.6)
	$ 20.7	18.6%	$ 137.8	30.7%	$ 156.4	26.0%	$ 2.1

Total gross profit was $20.7 million for the two-month period ended December 31, 2009 and $137.8 million for the ten-month period ended October 25, 2009, or $158.5 million in aggregate as compared to $156.4 million for 2008, a $2.1 million, or 1.3%, increase. Gross margin, or gross profit as a percentage of net sales, in 2009 was 28.3%, an increase of 2.3% from 26.0% for the year ended December 31, 2008. This increase in gross margin was attributable to the depreciation of the Korean won against the U.S. dollar with respect to our costs of sales and an overall decrease in unit costs. These increases were partially offset by lower average selling prices and the impact of a $17.2 million increase in our cost of sales as a result of the write-up of our inventory in accordance with the principles of fresh-start accounting upon the consummation of our reorganization proceedings. The decreases in unit costs were driven by the depreciation of the Korean won against the U.S. dollar, reduced depreciation expenses, lower overhead costs on a per unit basis and a decline in materials

prices. Gross margin for the two-month period ended December 31, 2009 was 18.6% as compared to 30.7% for the ten-month period ended October 25, 2009. Gross margin was higher in the ten-month period ended October 25, 2009 compared to the two-month period ended December 31, 2009 principally due to a $17.2 million one-time impact on cost of sales which is recorded in the two-month period ended December 31, 2009 associated with the step up of our inventory as a result of adoption of fresh-start accounting. As of December 31, 2009, $0.7 million of the total increase in inventory valuation remained. We expect to include the remaining increase in inventory valuation in cost of sales for the quarter ending March 31, 2010. As a result, we expect gross margin in future periods to return to historical levels, excluding foreign currency fluctuation impacts.

Display Solutions. Gross margin for Display Solutions for the combined twelve-month period ended December 31, 2009 improved to 24.9% compared to 18.9% for the year ended December 31, 2008 due to the depreciation of the Korean won against the U.S. dollar, a decrease in unit costs that resulted from an increase in overall production volume which offset lower average selling prices and the impact of the write-up of our inventory in accordance with fresh-start accounting.

Power Solutions. Gross margin for Power Solutions for the combined twelve-month period ended December 31, 2009 improved to 17.5% compared to (78.6)% for the year ended December 31, 2008 due to the depreciation of the Korean won against the U.S. dollar, increased volume and decreases in unit costs offset by the write-up of our inventory in accordance with fresh-start accounting. Unit cost reductions were primarily driven by our ability to spread depreciation expenses over an increased number of units resulting from a 221.3% increase in sales volume. Gross margin was negative in 2008 as we first began operating the segment in late 2007 and had not yet achieved sales volumes required to generate a positive gross margin.

Semiconductor Manufacturing Services. Gross margin for Semiconductor Manufacturing Services decreased to 31.6% in the combined twelve-month period ended December 31, 2009 from 34.3% in the year ended December 31, 2008. This decrease was primarily due to an overall decrease in production volume and average selling prices.

All other. Gross margin for All other for the combined twelve-month period ended December 31, 2009 increased to 100.0% from 97.3% for the year ended December 31, 2008. All net sales included in All other in 2009 represent rent revenues for which there is no cost of sales. For 2008, All other included limited revenue from unit processing which resulted in a gross margin of 97.3%.

Operating Expenses

Selling, General and Administrative Expenses. Selling, general, and administrative expenses were $70.8 million, or 12.6%, of net sales for the combined twelve-month period ended December 31, 2009 compared to $81.3 million, or 13.5%, for 2008. The decrease of $10.5 million, or 12.9%, from the prior-year period was attributable to the depreciation of the Korean won against the U.S. dollar, a reduction in headcount and a short-term decrease in salaries and related expenses in connection with our cost-reduction efforts in 2009 as well as a decrease in depreciation and amortization expenses of $6.5 million. These decreases were partially offset by a $3.0 million increase in outside service expenses.

Research and Development Expenses. Research and development expenses for the combined twelve-month period ended December 31, 2009 were $70.9 million, a decrease of $18.6 million, or 20.8%, from $89.5 million for the year ended December 31, 2008. This decrease was due to the depreciation of the Korean won against the U.S. dollar, a $5.2 million decrease in salaries and related expenses due to lower headcount and our short-term decrease in salaries. Through our cost reduction initiatives, material costs decreased by $5.3 million and outside service fees decreased by $3.8 million. The remaining decrease in research and development expenses was attributable to reductions in various overhead expenses. Research and development expenses as a percentage of net sales were 12.7% in 2009, compared to 14.9% in 2008.

Restructuring and Impairment Charges. Restructuring and impairment charges decreased by $12.9 million in the combined twelve-month period ended December 31, 2009 compared to the year ended December 31, 2008. Restructuring charges of $0.4 million recorded in the ten-month period ended October 25, 2009 were related to the closure of one of our research and development facilities in Japan. Restructuring charges of $13.4 million for the year ended December 31, 2008 reflected an impairment charge of $14.2 million as a result of the significant reduction in net sales attributable to our Display Solutions products, offset in part by an $0.9 million reversal of unused accrued restructuring charges from prior periods.

Other Income (Expense)

Interest Expense, net. Net interest expense was $32.4 million during the combined twelve-month period ended December 31, 2009, a decrease of $43.7 million compared to $76.1 million for the year ended December 31, 2008. Interest expense was incurred under our $750 million principal amount of notes and our senior secured credit facility. From June 12, 2009, the date of our initial reorganization filing, to October 25, 2009, we did not accrue interest expenses related to our notes, which were categorized as liabilities subject to compromise. Upon our emergence from our reorganization proceedings, our $750.0 million notes were discharged pursuant to the reorganization plan. Net interest expense in 2008 included a write-off of remaining debt issuance costs of $12.3 million related to our notes since we were not compliant with certain financial covenants under the terms of our notes and therefore, amounts outstanding were reclassified as current portion of long-term debt in our balance sheet as of December 31, 2008.

Foreign Currency Gain (Loss), net. Net foreign currency gain for the combined twelve-month period ended December 31, 2009 was $52.8 million, compared to net foreign exchange loss of $210.4 million for the year ended December 31, 2008. A substantial portion of our net foreign currency gain or loss is non-cash translation gain or loss recorded for intercompany borrowings at our Korean subsidiary and is affected by changes in the exchange rate between the Korean won and the U.S. dollar. Foreign currency translation gain from the intercompany borrowings was included in determining our consolidated net income since the intercompany borrowings were not considered long-term investments in nature because management intended to repay these intercompany borrowings at their respective maturity dates. The Korean won to U.S. dollar exchange rates were 1,167.6:1 and 1,262.0:1 using the first base rate as of December 31, 2009 as quoted by the Korea Exchange Bank and the noon buying rate in effect as of December 31, 2008 as quoted by the Federal Reserve Bank of New York, respectively. The exchange rate quotation from the Federal Reserve Bank was available on or before December 31, 2008.

Reorganization items, net. Net reorganization gain of $804.6 million in the ten-month period ended October 25, 2009 represents the impact of non-cash reorganization income and expense items directly associated with our reorganization proceedings and primarily reflects the discharge of liabilities of $798.0 million. Net reorganization gain also includes professional fees, the revaluation of assets and the write-off of debt issuance costs. These items are related primarily to our reorganization proceedings, and are not the result of our current operations. Accordingly, we do not expect these items to continue on an ongoing basis. Further information on reorganization related items is discussed in note 5 to the consolidated financial statements of MagnaChip Semiconductor LLC for the ten-month period ended October 25, 2009 and the two-month period ended December 31, 2009 included elsewhere in this prospectus.

Income Tax Expenses

Income Tax Expenses. Income tax expenses for the combined twelve-month period ended December 31, 2009 were $9.2 million, compared to income tax expenses of $11.6 million for the year ended December 31, 2008. Income tax expense for 2009 was comprised of $6.7 million of withholding taxes mostly paid on intercompany interest payments, $0.8 million of current income taxes incurred in various jurisdictions in which we operate and a $1.7 million income tax effect from the change of

deferred tax assets. Due to the uncertainty of the utilization of foreign tax credits, we did not recognize these withholding taxes as deferred tax assets.

Income from discontinued operations, net of tax

Income from discontinued operations, net of taxes. During 2008, we closed our Imaging Solutions business segment, recognizing a net loss of $91.5 million from discontinued operations, of which $15.9 million was from negative gross margin, $37.5 million was from research and development cost and $34.2 million was attributable to restructuring and impairment charges incurred during the third quarter of 2008. During the combined twelve-month period ended December 31, 2009, we recognized net income of $7.1 million relating to our discontinued operations, largely due to the sale of patents related to our closed Imaging Solutions business segment, which resulted in a $8.3 million gain.

Results of Operations — Comparison of Years ended December 31, 2008 and December 31, 2007

The following table sets forth consolidated results of operations for the years ended December 31, 2008 and December 31, 2007:

	Predecessor Company				
	Year Ended December 31, 2008		Year Ended December 31, 2007		Change
	Amount	% of net sales	Amount	% of net sales	Amount
	(In millions)				
Net sales	$ 601.7	100.0%	$ 709.5	100.0%	$ (107.8)
Cost of sales	445.3	74.0	578.9	81.6	(133.6)
Gross profit	156.4	26.0	130.7	18.4	25.8
Selling, general and administrative expenses	81.3	13.5	82.7	11.7	(1.4)
Research and development expenses	89.5	14.9	90.8	12.8	(1.4)
Restructuring and impairment charges	13.4	2.2	12.1	1.7	1.3
Operating income (loss) from continuing operations	(27.7)	(4.6)	(54.9)	(7.7)	27.2
Interest expense, net	76.1	12.7	60.3	8.5	15.8
Foreign currency gain (loss), net	(210.4)	(35.0)	(4.7)	(0.7)	(205.7)
	(286.5)	(47.6)	(65.0)	(9.2)	(221.5)
Income (loss) continuing operations before income taxes	(314.3)	(52.2)	(120.0)	(16.9)	(194.3)
Income tax expenses	11.6	1.9	8.8	1.2	2.8
Income (loss) from continuing operations,	(325.8)	(54.2)	(128.8)	(18.2)	(197.0)
Income (loss) from discontinued operations, net of taxes	(91.5)	(15.2)	(51.7)	(7.3)	(39.7)
Net income (loss)	$ (417.3)	(69.4)%	$ (180.6)	(25.4)%	$ (236.7)

Net Sales

	Predecessor Company				
	Year Ended December 31, 2008		Year Ended December 31, 2007		
	Amount	% of Total	Amount	% of total	Change Amount
	(In millions)				
Display Solutions	$ 304.1	50.5%	$ 331.7	46.7%	$ (27.6)
Power Solutions	5.4	0.9	—	—	5.4
Semiconductor Manufacturing Services	287.1	47.7	321.0	45.2	(33.9)
All other	5.0	0.8	56.8	8.0	(51.8)
	$ 601.7	100.0%	$ 709.5	100.0%	$ (107.8)

Net sales for the year ended December 31, 2008 decreased $107.8 million, or 15.2%, compared to 2007. Net sales generated in our three operating segments during the year ended December 31, 2008 were $596.6 million, a decrease of $56.1 million, or 8.6%, from the net sales for 2007, primarily due to a $27.6 million, or 8.3%, decrease in net sales from our Display Solutions segment and a $33.9 million, or 10.6%, decrease in net sales from our Semiconductor Manufacturing Services segment. Net sales from All other decreased $51.8 million, or 91.2%, compared to the year ended December 31, 2007. Our Korean-based net sales were also impacted by the depreciation of the Korean won against the U.S. dollar.

Display Solutions. Net sales from our Display Solutions segment for the year ended December 31, 2008 were $304.1 million, a $27.6 million, or 8.3%, decrease, from $331.7 million for 2007. The decrease resulted primarily from a 15.6% decline in average selling prices which was due to a higher percentage of our net sales of products with lower sales prices.

Power Solutions. Net sales from our Power Solutions segment for the year ended December 31, 2008 were $5.4 million. No sales occurred for the year ended December 31, 2007 as our Power Solutions segment was launched in late 2007 and did not start making sales until 2008.

Semiconductor Manufacturing Services. Net sales from our Semiconductor Manufacturing Services segment for the year ended December 31, 2008 were $287.1 million, a $33.9 million, or 10.6%, decrease compared to net sales of $321.0 million for 2007. This decrease was primarily due to a 5.5% decrease in average selling prices and 3.0% decrease in sales volume. During the fourth quarter of 2008 our net sales were adversely impacted by the worldwide economic slowdown.

All other. Net sales from All other for 2008 were $5.0 million compared to $56.8 million for 2007. This decrease of $51.8 million, or 91.2%, represents the revenue decrease from our unit processing services as such services were no longer required by our sole customer for the service.

Net Sales by Geographic Region

The following table sets forth our net sales by geographic region and the percentage of total net sales represented by each geographic region for the years ended December 31, 2008 and December 31, 2007:

	Predecessor Company				
	Year Ended December 31, 2008		Year Ended December 31, 2007		Change
	Amount	% of Total	Amount	% of Total	Amount
	(In millions)				
Korea	$ 301.0	50.0%	$ 404.3	57.0%	(103.3)
Asia Pacific	144.5	24.0	155.5	21.9	(11.0)
Japan	79.9	13.3	71.2	10.0	8.7
North America	61.3	10.2	58.5	8.2	2.8
Europe	14.9	2.5	20.0	2.8	(5.1)
Total net revenues	$ 601.7	100.0%	$ 709.5	100.0%	(107.8)

Net sales in Korea in 2008 declined as a percentage of total net sales, principally due to reduced revenue from unit processing services and the overall slowness in the semiconductor manufacturing market. The sales were also affected by lower demand for large display driver products.

Gross Profit

	Predecessor Company				
	Year Ended December 31, 2008		Year Ended December 31, 2007		Change
	Amount	% of net sales	Amount	% of net sales	Amount
	(In millions)				
Display Solutions	$ 57.4	18.9%	$ 41.5	12.5%	$ 15.9
Power Solutions	(4.3)	(78.6)	—	—	(4.3)
Semiconductor Manufacturing Services	98.4	34.3	67.1	20.9	31.3
All other	4.9	97.3	22.0	38.7	(17.1)
	$ 156.4	26.0%	$ 130.7	18.4%	$ 25.8

Total gross profit increased $25.8 million for the year ended December 31, 2008, or 19.7%, compared to the gross profit generated for the year ended December 31, 2007. Gross margin for the year ended December 31, 2008 was 26.0% of net sales, an increase of 7.6% from 18.4% for the year ended December 31, 2007. This increase in gross margin was attributable to the depreciation of the Korean won against the U.S. dollar and an overall decrease in unit costs which offset lower average sales prices. The decreases in unit costs were primarily driven by reduced depreciation expenses, lower overhead costs on a per unit basis and a decline in materials prices.

Display Solutions. Gross margin for our Display Solutions segment for the year ended December 31, 2008 increased to 18.9% compared to 12.5% for 2007. This increase was due to the depreciation of the Korean won against the U.S. dollar and to a decrease in cost of sales resulting from an overall decrease in depreciation and amortization expenses which offset lower average sales prices.

Power Solutions. Gross margin for our Power Solutions segment for the year ended December 31, 2008 was (78.6)%. This negative gross margin was due to high fixed production costs

per unit resulting from low production volume as we commenced sales in our Power Solutions segment in 2008.

Semiconductor Manufacturing Services. Gross margin for our Semiconductor Manufacturing Services segment increased to 34.3% in the year ended December 31, 2008 from 20.9% for 2007. This increase was due to a decrease in cost of sales, resulting from the depreciation of the Korean won against the U.S. dollar, an overall decrease in depreciation and amortization expenses and an increase in production volume.

All other. Gross margin for All other for the year ended December 31, 2008 increased to 97.3% from 38.7% for 2007. The improvement was primarily attributable to a decrease in sales volume for unit processing while rental revenue, for which there are no allocated cost of sales, remained comparable to the prior year.

Operating Expenses

Selling, General and Administrative Expenses. Selling, general, and administrative expenses were $81.3 million, or 13.5%, of net sales for the year ended December 31, 2008 compared to $82.7 million, or 11.7%, for 2007. The decrease of $1.4 million, or 1.7%, was attributable to the depreciation of the Korean won against the U.S. dollar, a decrease in salaries, and a decrease in depreciation and amortization expenses of $6.2 million. These decreases were partially offset by a $6.9 million increase in outside service fees.

Research and Development Expenses. Research and development expenses for the year ended December 31, 2008 were $89.5 million, a decrease of $1.4 million, or 1.5%, from $90.8 million for 2007. This decrease was attributable to the depreciation of the Korean won against the U.S. dollar and to decreases in overhead expenses.

Restructuring and Impairment Charges. Restructuring and impairment charges for the year ended December 31, 2008 included an impairment charge of $14.2 million related to our Display Solutions segment. During the three months ended July 1, 2007, we recognized $2.0 million of restructuring accruals related to the closure of our five-inch wafer fabrication facilities, including termination benefits and other associated costs. Through the first quarter of 2008, actual payments of $1.1 million were charged against the restructuring accruals. As of March 30, 2008, the restructuring activities were substantially completed and we reversed $0.9 million of unused restructuring accruals.

During the year ended December 31, 2007, we recognized restructuring and impairment charges of $12.1 million, which consisted of $10.1 million of impairment charges and $2.0 million of restructuring charges. The impairment charges recorded related to the closure of our five-inch wafer fabrication facility.

Other Income (Expense)

Interest Expense, net. Net interest expense was $76.1 million during the year ended December 31, 2008, compared to $60.3 million for 2007. Interest expense was incurred to service our notes and our senior secured credit facility. At December 31, 2008, the notes and our senior secured credit facility bore interest at a weighted average interest rate of 7.14% and 7.90%, respectively. The increase in net interest expense was mainly due to a write-off of remaining debt issuance costs of $12.3 million related to our notes as of December 31, 2008 since we were not in compliance with certain financial covenants under the terms of our notes and therefore, amounts outstanding were reclassified as current in our balance sheet as of December 31, 2008.

Foreign Currency Gain (Loss), net. Net foreign currency loss for the year ended December 31, 2008 was $210.4 million, compared to net foreign exchange loss of $4.7 million for the year ended December 31, 2007. A substantial portion of our net foreign currency gain or loss is non-cash translation gain or loss recorded for intercompany borrowings at our Korean subsidiary and is affected by changes in the exchange rate between the Korean won and the U.S. dollar. Foreign

currency translation gain from the intercompany borrowings was included in determining our consolidated net income since the intercompany borrowings were not considered long-term investments in nature because management intended to repay these intercompany borrowings at their respective maturity dates. The Korean won to U.S. dollar exchange rates were 1,262.0:1 and 935.8:1 using the noon buying rate in effect as of December 31, 2008 and December 31, 2007, respectively, as quoted by the Federal Reserve Bank of New York.

Income Tax Expenses

Income Tax Expenses. Income tax expenses for the year ended December 31, 2008 were $11.6 million, compared to income tax expenses of $8.8 million for 2007. Income tax expenses for 2008 were comprised of $6.1 million of withholding taxes mostly paid on intercompany interest payments, $4.0 million of current income taxes incurred in various jurisdictions in which we operate and a $1.5 million income tax effect from a change of deferred tax assets. Due to the uncertainty of the utilization of foreign tax credits, we did not recognize these withholding taxes as deferred tax assets.

Loss from discontinued operations, net of tax

Loss from discontinued operations, net of taxes. During 2008, we closed our Imaging Solutions business segment that was classified as a discontinued operation, recognizing net losses of $91.5 million and $51.7 million from discontinued operations for 2008 and for 2007, respectively. Of the recorded net loss of $91.5 million in 2008, $15.9 million was from negative gross margin, $37.5 million was from research and development costs and $34.2 million was attributable to restructuring and impairment charges incurred during the third quarter of 2008.

Liquidity and Capital Resources

Our principal capital requirements are to invest in research and development and capital equipment, to make debt service payments and to fund working capital needs.

Our principal sources of liquidity are our cash and cash equivalents, our cash flows from operations and our financing activities, including a portion of the net proceeds from this offering. Although we currently anticipate these sources of liquidity will be sufficient to meet our cash needs through the next twelve months, we may require or choose to obtain additional financing. Our ability to obtain financing will depend, among other things, on our business plans, operating performance, and the condition of the capital markets at the time we seek financing. We cannot assure you that additional financing will be available to us on favorable terms when required, or at all. If we raise additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences or privileges senior to the rights of our common stock, and our stockholders may experience dilution. If we need to raise additional funds in the future and are unable to do so or obtain additional financing on acceptable terms in the future, it is possible we would have to limit certain planned activities including sales and marketing and research and development activities. As of December 31, 2009, our cash and cash equivalents balance was $64.9 million, a $49.1 million increase from $15.8 million in cash, cash equivalents and restricted cash as of December 31, 2008. The increase in cash and cash equivalents for the combined twelve-month period ended December 31, 2009 was primarily attributable to a cash inflow of $41.5 million from operating activities, coupled with a cash inflow of $11.5 million from investing activities.

Cash Flows from Operating Activities

Cash flows generated by operating activities totaled $41.5 million in the combined twelve-month period ended December 31, 2009, compared to $18.4 million of cash used in operating activities in 2008. This increase in cash flows was primarily attributable to income from continuing operations which improved due to the restructuring of our operations and our reorganization plan as described

above. The net operating cash inflow for the combined twelve-month period ended December 31, 2009 principally reflected our net income of $839.1 million adjusted by non-cash charges of $799.4 million, which mainly consisted of non-cash reorganization items derived from our reorganization plan.

In 2008, cash flows used in operating activities totaled $18.4 million, compared to $23.7 million in 2007. The decrease was primarily driven by lower operating results adjusted by non-cash charges, which mainly consisted of depreciation and amortization charges and loss on foreign currency translation.

Our working capital balance as of December 31, 2009 was $128.5 million, compared to negative $814.5 million as of December 31, 2008. The significant increase in our working capital balance was principally due to the discharge of $750.0 million in debt recorded in current liabilities resulting from our reorganization plan in 2009 as well as cash generated from operations and investing activities.

Our working capital balance as of December 31, 2008 was negative $814.5 million, compared to $55.6 million as of December 31, 2007. The significant decrease in our working capital balance was mainly due to the reclassification of long-term debt to current in 2008. In addition, as a result of our operating performance in the quarter ended December 31, 2008, our cash balances, accounts receivable and inventory were significantly lower as compared to December 31, 2007.

Cash Flows from Investing Activities

Cash flows generated by investing activities totaled $11.5 million in the combined twelve-month period ended December 31, 2009, compared to $39.6 million of cash used in investing activities in the 2008. In 2009, we had a decrease in capital expenditures of $20.5 million from $29.7 million in 2008 to $9.2 million in the combined twelve-month period ended December 31, 2009. In 2008, cash of $11.8 million was restricted pursuant to the terms of a forbearance agreement in relation to short-term borrowings; in 2009, it was released from restriction in connection with our reorganization plan. Cash flow from investing activities in 2009 also included cash proceeds of $9.4 million from the sale of intangible assets.

In 2007, cash flows used in investing activities totaled $81.8 million, primarily due to capital expenditures of $86.6 million related to capacity expansion and technology improvements at a fabrication facility in anticipation of sales growth in future periods. A significant portion of this capital investment was originally targeted for use by our discontinued Imaging Solutions segment and has since been repurposed for the other segments of our business, allowing us to maintain a relatively low level of capital investment in 2008 and 2009.

Cash Flows from Financing Activities

Cash flows provided by financing activities totaled $2.0 million in the combined twelve-month period ended December 31, 2009, compared to $14.7 million in 2008. There were no significant financing activities in 2009 other than the repayment of short-term borrowings and the issuance of common units as part of our reorganization in 2009.

During the year ended December 31, 2007, we borrowed $130.1 million under our senior secured credit facility which offset repayments under the same facility of $50.1 million during the same period. At December 31, 2007, we had borrowed $80.0 million under our senior secured credit facility and had additional letters of credit of $15.5 million issued under the facility.

Capital Expenditures

We routinely make capital expenditures to enhance our existing facilities and reinforce our global research and development capability.

For the combined twelve-month period ended December 31, 2009, capital expenditures were $9.2 million, a $20.5 million, or 69.0%, decrease from $29.7 million in 2008.

For the year ended December 31, 2008, capital expenditures were $29.7 million, a $56.9 million, or 65.7%, decrease from $86.6 million in 2007. Significant capital expenditures in 2007 were used to support capacity expansion and technology improvements at our fabrication facilities in anticipation of sales growth in future periods. Since then, these expenditures have been reduced. This year-over-year decrease was a result of managing our capital expenditure timing in order to better support the growth of our business from new customers and to optimize asset utilization and return on capital investments.

Contractual Obligations

The following summarizes our contractual obligations as of December 31, 2009:

	Payments Due by Period						
	Total	2010	2011	2012	2013	2014	Thereafter
	(In millions)						
New term loan(1)(2)	$91.6	$8.5	$8.4	$8.3	$66.4	$ —	$ —
Operating lease(3)	51.6	6.8	1.9	1.9	1.9	1.9	37.2
Others(4)	11.5	4.7	4.2	2.4	0.2	—	—

(1) Includes principal as well as interest payments.

(2) Assumes constant interest rate of 6-month LIBOR + 12% as of December 31, 2009.

(3) Assumes constant currency exchange rate for Korean won to U.S. dollars of 1,168:1.

(4) Includes license agreements and other contractual obligations.

New term loan amounts represent the scheduled maturity of debt at December 31, 2009, assuming that no early optional redemptions occur. The amounts presented include mandatory loan prepayments of $154,000 each quarter from March 31, 2010 to September 30, 2013. We expect to pay the amounts outstanding under the new term loan in full upon maturity. Refer to note 14 to the consolidated financial statements of MagnaChip Semiconductor LLC for the ten-month period ended October 25, 2009 and the two-month period ended December 31, 2009 included elsewhere in this prospectus for additional information on our debt obligations.

The credit agreement governing the new term loan contains covenants that limit our ability and that of our subsidiaries to (i) incur additional indebtedness, (ii) pay dividends or make other distributions on our capital stock or repurchase, repay or redeem our capital stock, (iii) make certain investments, (iv) incur liens, (v) enter into certain types of transactions with affiliates, (vi) create restrictions on the payment of dividends or other amounts to us by our subsidiaries, (vii) sell all or substantially all of our assets or merge with or into other companies, (viii) issue specified equity interests, and (ix) establish, create or acquire any additional subsidiaries.

We follow ASC guidance on uncertain tax positions. Our unrecognized tax benefits totaled $2.0 million as of December 31, 2009. These unrecognized tax benefits have been excluded from the above table because we cannot estimate the period of cash settlement with the respective taxing authorities.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to the market risk that the value of a financial instrument will fluctuate due to changes in market conditions, primarily from changes in foreign currency exchange rates and interest rates. In the normal course of our business, we are subject to market risks associated with interest rate movements and currency movements on our assets and liabilities.

Foreign Currency Exposures

We have exposure to foreign currency exchange rate fluctuations on net income from our subsidiaries denominated in currencies other than U.S. dollars, as our foreign subsidiaries in Korea, Taiwan, China, Japan and Hong Kong use local currency as their functional currency. From time to time these subsidiaries have cash and financial instruments in local currency. The amounts held in Japan, Taiwan, Hong Kong and China are not material in regards to foreign currency movements. However, based on the cash and financial instruments balance at December 31, 2009 for our Korean subsidiary, a 10% devaluation of the Korean won against the U.S. dollar would have resulted in a decrease of $1.2 million in our U.S. dollar financial instruments and cash balances. Based on the Japanese yen cash balance at December 31, 2009, a 10% devaluation of the Japanese yen against the U.S. dollar would have resulted in a decrease of $0.3 million in our U.S. dollar cash balance.

Interest Rate Exposures

Our exposure to interest rate risk relates to interest expenses incurred by long-term borrowings, including the current portion of long term debt. The $61.8 million 6-month LIBOR plus 12% loans under our senior secured credit facility are subject to changes in fair value due to interest rate changes. If the interest rate had increased by 10% and all other variables were held constant from their levels at December 31, 2009, we estimate that we would have had additional interest expense costs of $0.8 million (on a 360-day basis).

Critical Accounting Policies and Estimates

Preparing financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, the reported amounts of revenues and expenses during the reporting periods and the related disclosures in our consolidated financial statements and accompanying notes.

We believe that our significant accounting policies, which are described in notes 3 and 4 to the consolidated financial statements of MagnaChip Semiconductor LLC for the ten-month period ended October 25, 2009 and the two-month period ended December 31, 2009 included elsewhere in this prospectus, are critical due to the fact that they involve a high degree of judgment and estimates about the effects of matters that are inherently uncertain. We base these estimates and judgments on historical experience, knowledge of current conditions and other assumptions and information that we believe to be reasonable. Estimates and assumptions about future events and their effects cannot be determined with certainty. Accordingly, these estimates may change as new events occur, as more experience is acquired, as additional information is obtained and as the business environment in which we operate changes.

Revenue Recognition and Accounts Receivable Valuation

Our revenue is primarily derived from the sale of semiconductor products that we design and the manufacture of semiconductor wafers for third parties. We recognize revenue when persuasive evidence of an arrangement exists, the product has been delivered and title and risk of loss have transferred, the price is fixed and determinable and collection of resulting receivables is reasonably assured.

We recognize revenue upon shipment, upon delivery of the product at the customer's location or upon customer acceptance depending on terms of the arrangements, when the risks and rewards of ownership have passed to the customer. Specialty semiconductor manufacturing services are performed pursuant to manufacturing agreements and purchase orders. Standard products are shipped and sold based upon purchase orders from customers. All amounts billed to a customer related to shipping and handling are classified as sales, while all costs incurred by us for shipping and handling are classified as expenses. We currently manufacture a substantial portion of our products internally at our wafer fabrication facilities. In the future, we expect to rely, to some extent, on outside wafer foundries for additional capacity and advanced technologies.

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make payment. If the financial condition of our customers were to deteriorate, additional allowances may be required. The establishment of reserves for sales discounts is based on management judgments that require significant estimates of a variety of factors, including forecasted demand, returns and industry pricing assumptions.

Accrual of Warranty Cost

We record warranty liabilities for the estimated costs that may be incurred under limited warranties. Our warranties generally cover product defects based on compliance with our specifications and is normally applicable for twelve months from the date of product delivery. These liabilities are accrued when revenues are recognized. Warranty costs include the costs to replace the defective products. Factors that affect our warranty liability include historical and anticipated rates of warranty claims on those repairs and the cost per claim to satisfy our warranty obligations. As these factors are impacted by actual experience and future expectations, we periodically assess the adequacy of our recorded warranty liabilities and adjust the amounts as necessary.

Inventory Valuation

Inventories are valued at the lower of cost or market, using the average method, which approximates the first in, first out method. Because of the cyclical nature of the semiconductor industry, changes in inventory levels, obsolescence of technology and product life cycles, we write down inventories to net realizable value. When there is a difference in the carrying value and the net realizable value the difference is recognized as a loss on valuation of inventories within cost of sales. We estimate the net realizable value for such finished goods and work-in-progress based primarily upon the latest invoice prices and current market conditions.

We employ a variety of methodologies to determine the amount of inventory reserves necessary. While a portion of the reserve is determined based upon the age of inventory and lower of cost or market calculations, an element of the reserve is subject to significant judgments made by us about future demand for our inventory. For example, reserves are established for excess inventory based on inventory levels in excess of six months of projected demand, as judged by management, for each specific product. If actual demand for our products is less than our estimates, additional reserves for existing inventories may need to be recorded in future periods.

In addition, as prescribed in ASC guidance on inventory costs, the cost of inventories is determined based on the normal capacity of each fabrication facility. If the capacity utilization is lower than a level that management believes to be normal, the fixed overhead costs per production unit which exceed those which would be incurred when the fabrication facilities are running under normal capacity are charged to cost of sales rather than capitalized as inventories.

Long-Lived Assets

We assess long-lived assets for impairment when events or changes in circumstances indicate that the carrying value of the assets or the asset group may not be recoverable. Factors that we consider in deciding when to perform an impairment review include significant under-performance of a business or product line in relation to expectations, significant negative industry or economic trends, and significant changes or planned changes in our use of the assets. Recoverability of assets that will continue to be used in our operations is measured by comparing the carrying value of the asset group to our estimate of the related total future undiscounted net cash flows. If an asset group’s carrying value is not recoverable through the related undiscounted cash flows, the asset group is considered to be impaired. The impairment is measured by the difference between the asset group’s carrying value and its fair value determined by either a quoted market price, if any, or a value determined by utilizing a discounted cash flow technique.

Impairments of long-lived assets are determined for groups of assets related to the lowest level of identifiable independent cash flows. We must make subjective judgments in determining the independent cash flows that can be related to specific asset groupings. Additionally, an evaluation of impairment of long-lived assets requires estimates of future operating results that are used in the preparation of the expected future undiscounted cash flows. Actual future operating results and the remaining economic lives of our long-lived assets could differ from the estimates used in assessing the recoverability of these assets.

Intangible Assets

The fair value of our intangible assets was recorded in connection with fresh-start reporting on October 25, 2009 and was determined based on the present value of each research project's projected cash flows using an income approach. Future cash flows are predominately based on the net income forecast of each project, consistent with historical pricing, margins and expense levels of similar products. Revenues are estimated based on relevant market size and growth factors, expected industry trends and individual project life cycles. The resulting cash flows are then discounted at a rate approximating the Company's weighted average cost of capital.

In-process research and development, or IPR&D, is considered an indefinite-lived intangible asset and is not subject to amortization. IPR&D assets must be tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets might be impaired. The impairment test consists of a comparison of the fair value of the IPR&D asset with its carrying amount. If the carrying amount of the IPR&D asset exceeds its fair value, an impairment loss must be recognized in an amount equal to that excess. After an impairment loss is recognized, the adjusted carrying amount of the IPR&D asset will be its new accounting basis. Subsequent reversal of a previously recognized impairment loss is prohibited. The initial determination and subsequent evaluation for impairment of the IPR&D asset requires management to make significant judgments and estimates. Once the IPR&D projects have been completed or abandoned, the useful life of the IPR&D asset is determined and amortized accordingly.

Technology, customer relationships and intellectual property assets are considered definite-lived assets and are amortized on a straight-line basis over their respective useful lives, ranging from 4 to 10 years.

Income Taxes

We account for income taxes in accordance with ASC guidance addressing accounting for income taxes. The guidance requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in a company's financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement carrying values and the tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable for the period and the change during the period in deferred tax assets and liabilities.

We regularly review our deferred tax assets for recoverability considering historical profitability, projected future taxable income, the expected timing of the reversals of existing temporary differences and expiration of tax credits and net operating loss carry-forwards. We established valuation allowances for deferred tax assets at most of our subsidiaries since, other than with respect to one particular subsidiary, it is not probable that a majority of the deferred tax assets will be realizable. The valuation allowance at this particular subsidiary was not established since it is more likely than not that the deferred tax assets at this subsidiary will be realizable based on the current prospects for its future taxable income.

Changes in our evaluation of our deferred income tax assets from period to period could have a significant effect on our net operating results and financial condition.

In addition, beginning January 1, 2007, we account for uncertainties related to income taxes in compliance with ASC guidance on uncertain tax positions. Under this guidance, we evaluate our tax positions taken or expected to be taken in a tax return for recognition and measurement on our consolidated financial statements. Only those tax positions that meet the "more likely than not" threshold are recognized on the consolidated financial statements at the largest amount of benefit that has a greater than 50 percent likelihood of ultimately being realized. Assumptions, judgment and the use of estimates are required in determining if the "more likely than not" standard has been met when developing the provision for income taxes. A change in the assessment of the "more likely than not" standard could materially impact our consolidated financial statements.

Accounting for Unit-based Compensation

In 2006, we adopted ASC guidance addressing accounting for unit-based compensation based on a fair value method. Under this guidance, unit-based compensation cost is estimated at the grant date based on the fair value of the award and is recognized as expense over the requisite service period of the award. We use the Black-Scholes option pricing model to value unit options. In developing assumptions for fair value calculation under the guidance, we use estimates based on historical data and market information. A small change in the assumptions used in the estimate can cause a relatively significant change in the fair value calculation.

The determination of the fair value of our common units on each grant date was a two-step process. First, management estimated our enterprise value in consultation with such advisers as we deemed appropriate. Second, this business enterprise value was allocated to all sources of capital invested in us based on each type of security's respective rights and claims to our total business enterprise value. This allocation included a calculation of the fair value of our common units on a non-marketable basis. The business enterprise value was determined based on an income approach and a market approach using the revenue multiples of comparable companies, giving appropriate weight to each approach. The income approach was based on the discounted cash flow method and an estimated weighted average cost of capital.

Determination of the fair value of our common units involves complex and subjective judgments regarding projected financial and operating results, our unique business risks, the liquidity of our units and our operating history and prospects at the time of grant. If we make different judgments or adopt different assumptions, material differences could result in the amount of the share-based compensation expenses recorded because the estimated fair value of the underlying units for the options granted would be different.

Fresh-Start Reporting

As required by GAAP, in connection with emergence from Chapter 11 reorganization proceedings, we adopted the fresh-start accounting provisions of ASC 852 effective October 25, 2009. Under ASC 852, the reorganization value represents the fair value of the entity before considering liabilities and approximates the amount a willing buyer would pay for our assets immediately after restructuring. The reorganization value is allocated to the respective assets. Liabilities, other than deferred taxes and severance benefits, are stated at present values of amounts expected to be paid.

Fair values of assets and liabilities represent our best estimates based on our appraisals and valuations which incorporated industry data and trends and relevant market rates and transactions. These estimates and assumptions are inherently subject to significant uncertainties and contingencies beyond our reasonable control.

Controls and Procedures

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and is effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. As a private company we have designed our internal control over financial reporting to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of financial statements. As a public company, under Section 404 of the Sarbanes-Oxley Act, we will also be required to include a report of management on our internal control over financial reporting in our Annual Reports on Form 10-K and the independent registered public accounting firm auditing our financial statements must attest to and report on the effectiveness of our internal control over financial reporting. This requirement will first apply to our Annual Report on Form 10-K for our fiscal year ending December 31, 2011. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

In connection with audits of our consolidated financial statements for the ten-month period ended October 25, 2009 and two-month period ended December 31, 2009, our independent registered public accounting firm has reported two control deficiencies which represent a material weakness in our internal control over financial reporting. The two control deficiencies which represent a material weakness that our independent registered public accounting firm reported to our board of directors (as we then did not have a separate audit committee), are that we do not have a sufficient number of financial personnel with the requisite financial accounting experience and our controls over non-routine transactions are not effective to ensure that accounting considerations are identified and appropriately recorded.

Our management and our board of directors agree that the control deficiencies identified by our independent registered public accounting firm represent a material weakness. We have identified and taken steps intended to remediate this material weakness. Upon being notified of the material weakness, we retained the services of an international accounting firm to temporarily supplement our internal resources. We are also in the process of recruiting a new director of financial reporting to replace the supplemental services provided by the international accounting firm. These actions are subject to ongoing senior management review, as well as audit committee oversight. We do not know the specific timeframe needed to remediate this material weakness. We may incur significant incremental costs associated with this remediation.

BUSINESS

Our Business

We are a Korea-based designer and manufacturer of analog and mixed-signal semiconductor products for high-volume consumer applications. We believe we have one of the broadest and deepest analog and mixed-signal semiconductor technology platforms in the industry, supported by our 30-year operating history, large portfolio of approximately 3,600 novel registered and pending patents and extensive engineering and manufacturing process expertise. Our business is comprised of three key segments: Display Solutions, Power Solutions and Semiconductor Manufacturing Services. Our Display Solutions products include display drivers for use in a wide range of flat panel displays and mobile multimedia devices. Our Power Solutions products include discrete and integrated circuit solutions for power management in high-volume consumer applications. Our Semiconductor Manufacturing Services segment provides specialty analog and mixed-signal foundry services for fabless semiconductor companies that serve the consumer, computing and wireless end markets.

Our wide variety of analog and mixed-signal semiconductor products and manufacturing services combined with our deep technology platform allows us to address multiple high-growth end markets and to rapidly develop and introduce new products and services in response to market demands. Our substantial manufacturing operations in Korea and design centers in Korea and Japan place us at the core of the global consumer electronics supply chain. We believe this enables us to quickly and efficiently respond to our customers' needs and allows us to better service and capture additional demand from existing and new customers.

We have a long history of supplying and collaborating on product and technology development with leading innovators in the consumer electronics market. As a result, we have been able to strengthen our technology platform and develop products and services that are in high demand by our customers and end consumers. We sold over 2,300 distinct products to over 185 customers for the year ended December 31, 2009, with a substantial portion of our revenues derived from a concentrated number of customers, including LG Display, Sharp and Samsung. Our largest semiconductor manufacturing services customers include some of the fastest growing and leading semiconductor companies that design analog and mixed-signal products for the consumer, computing, and wireless end markets. For 2009 on an aggregate pro forma basis, we generated net sales of $560.1 million, income from continuing operations of $66.0 million, Adjusted EBITDA of $98.7 million and Adjusted Net Income of $53.0 million. See "Unaudited Pro Forma Consolidated Financial Information" beginning on page 46 for an explanation regarding our pro forma presentation and "Selected Historical Consolidated Financial and Operating Data'' beginning on page 8 for an explanation of our use of Adjusted EBITDA and Adjusted Net Income.

Market Opportunity

The consumer electronics market is large and growing rapidly. Growth in this market is being driven by consumers seeking to enjoy a wide variety of available rich media content, such as high definition audio and video, mobile television and games. Consumer electronics manufacturers recognize that the consumer entertainment experience plays a critical role in differentiating their products. To address and further stimulate consumer demand, electronics manufacturers have been driving rapid advances in the technology, functionality, form factor, cost, quality, reliability and power consumption of their products. Electronics manufacturers are continuously implementing advanced technologies in new generations of electronic devices using analog and mixed-signal semiconductor components, such as display drivers that enable display of high resolution images, encoding and decoding devices that allow playback of high definition audio and video, and power management semiconductors that increase power efficiency, thereby reducing heat dissipation and extending battery life. These advanced generations of consumer devices are growing faster than the overall consumer electronics market. For example, according to Gartner, production of LCD televisions,

smartphones, mobile PCs, and mini-notebooks is expected to grow from 2009 to 2013 by a compound annual growth rate of 12%, 36%, 24%, and 20%, respectively.

The user experience delivered by a consumer electronic device is substantially driven by the quality of the display, audio and video processing capabilities and power efficiency of the device. Analog and mixed-signal semiconductors enable and enhance these capabilities. Examples of these analog and mixed-signal semiconductors include display drivers, timing controllers, audio encoding and decoding devices, or codecs, and interface circuits, as well as power management semiconductors such as voltage regulators, converters, and switches. According to iSuppli, in 2009, the display driver semiconductor market was $6.0 billion and the power management semiconductor market was $21.9 billion.

Requirements of Leading Consumer Electronics Manufacturers

We believe our target customers view the following characteristics and capabilities as key differentiating factors among available analog and mixed-signal semiconductor suppliers and manufacturing service providers:

- ***Broad Offering of Differentiated Products with Advanced System-Level Features and Functions.*** Leading consumer electronics manufacturers seek to differentiate their products by incorporating innovative semiconductor products that enable unique system-level functionality and enhance performance. These consumer electronics manufacturers seek to closely collaborate with semiconductor solutions providers that continuously develop new and advanced products, technologies, and manufacturing processes that enable state of the art features and functions, such as bright and thin displays, small form factor and energy efficiency.
- ***Fast Time to Market with New Products.*** As a result of rapid technological advancements and short product lifecycles, our target customers typically prefer suppliers who have a compelling pipeline of new products and can leverage a substantial intellectual property and technology base to accelerate product design and manufacturing when needed.
- ***Nimble, Stable and Reliable Manufacturing Services.*** Fabless semiconductor providers who rely on external manufacturing services often face rapidly changing product cycles. If these fabless companies are unable to meet the demand for their products due to issues with their manufacturing services providers, their profitability and market share can be significantly impacted. As a result, they prefer semiconductor manufacturing services providers who can increase production quickly and meet demand consistently through periods of constrained industry capacity. Furthermore, many fabless semiconductor providers serving the consumer electronics and industrial sectors need specialized analog and mixed-signal manufacturing capabilities to address their product performance and cost requirements.
- ***Ability to Deliver Cost Competitive Solutions.*** Electronics manufacturers are under constant pressure to deliver cost competitive solutions. To accomplish this objective, they need strategic semiconductor suppliers that have the ability to provide system-level solutions, highly integrated products, a broad product offering at a range of price points and have the design and manufacturing infrastructure and logistical support to deliver cost competitive products.
- ***Focus on Delivering Highly Energy Efficient Products.*** Consumers increasingly seek longer run time, environmentally friendly and energy efficient consumer electronic products. In addition, there is increasing regulatory focus on reducing energy consumption of consumer electronic products. For instance, the California Energy Commission recently adopted standards that require televisions sold in California to consume 33% less energy by 2011 and 49% less energy by 2013. As a result of global focus on more environmentally friendly products, our customers are seeking analog and mixed-signal semiconductor suppliers that

have the technological expertise to deliver solutions that satisfy these ever increasing regulatory and consumer power efficiency demands.

Our Competitive Strengths

Designing and manufacturing analog and mixed-signal semiconductors capable of meeting the evolving functionality requirements for consumer electronics devices is challenging. In order to grow and succeed in the industry, we believe semiconductor suppliers must have a broad, advanced intellectual property portfolio, product design expertise, comprehensive product offerings and specialized manufacturing process technologies and capabilities. Our competitive strengths enable us to offer our customers solutions to solve their key challenges. We believe our strengths include:

- ***Advanced Analog and Mixed-Signal Semiconductor Technology and Intellectual Property Platform.*** We believe we have one of the broadest and deepest analog and mixed-signal semiconductor technology platforms in the industry. Our long operating history, large patent portfolio, extensive engineering and manufacturing process expertise and wide selection of analog and mixed-signal intellectual property libraries allow us to leverage our technology and develop new products across multiple end markets. Our product development efforts are supported by a team of approximately 391 engineers. Our platform allows us to develop and introduce new products quickly as well as to integrate numerous functions into a single product. For example, we were one of the first companies to introduce a commercial AMOLED display driver for mobile phones.
- ***Established Relationships and Close Collaboration with Leading Global Electronics Companies.*** We have a long history of supplying and collaborating on product and technology development with leading innovators in the consumer electronics market, such as LG Display, Sharp and Samsung. Our close customer relationships have been built based on many years of close collaborative product development which provides us with deep system level knowledge and key insights into our customers' needs. As a result, we are able to continuously strengthen our technology platform in areas of strategic interest for our customers and focus on those products and services that our customers and end consumers demand the most.
- ***Longstanding Presence in Asia and Proximity to Global Consumer Electronics Supply Chain.*** Our presence in Asia facilitates close contact with our customers, fast response to their needs and enhances our visibility into new product opportunities, markets and technology trends. According to Gartner, semiconductor consumption in Asia, excluding Japan, has increased from 49% of global production in 2004 to 60% in 2009 and is projected to grow to 65% by 2013. Our substantial manufacturing operations in Korea and design centers in Korea and Japan place us close to many of our largest customers and to the core of the global consumer electronics supply chain. We have active applications, engineering, product design, and customer support resources, as well as senior management and marketing resources, in geographic locations close to our customers. This allows us to strengthen our relationship with customers through better service, faster turnaround time and improved product design collaboration. We believe this also helps our customers to deliver products faster than their competitors and to solve problems more efficiently than would be possible with other suppliers.
- ***Broad Portfolio of Product and Service Offerings Targeting Large, High-Growth Markets.*** We continue to develop a wide variety of analog and mixed-signal semiconductor solutions for multiple high-growth consumer electronics end markets. We believe our expanding product and service offerings allow us to provide additional products to new and existing customers and to cross-sell our products and services to our established customers. For example, we have leveraged our technology expertise and customer relationships to develop and grow a new business offering power management solutions to customers. Our power management solutions enable our customers to increase system stability and reduce heat dissipation and

energy use, resulting in cost savings for our customers, as well as environmental benefits. We have been able to sell these new products to our existing customers as well as expand our customer base.

- ***Distinctive Analog and Mixed-Signal Process Technology Expertise and Manufacturing Capabilities.*** We have developed specialty analog and mixed-signal manufacturing processes such as high voltage CMOS, power and embedded memory. These processes enable us to flexibly ramp mass production of display, power and mixed-signal products, and shorten the duration from design to delivery of highly integrated, high-performance analog and mixed-signal semiconductors. As a result of the depth of our process technology, captive manufacturing facilities and customer support capabilities, we believe the majority of our top twenty manufacturing services customers by revenue currently use us as their primary manufacturing source for the products that we manufacture for them.
- ***Highly Efficient Manufacturing Capabilities.*** Our manufacturing strategy is focused on maintaining the price competitiveness of our products and services through our low-cost operating structure. We believe the location of our primary manufacturing and research and development facilities in Asia and relatively low required ongoing capital expenditures provide us with a number of cost advantages. We offer specialty analog process technologies that do not require substantial investment in leading edge, smaller geometry process equipment. We are able to utilize our manufacturing base over an extended period of time and thereby minimize our capital expenditure requirements. Our internal manufacturing facilities serve both our solutions products and manufacturing services customers, allowing us to optimize our asset utilization and improve our operational efficiency.
- ***Strong Financial Model with a Low-Cost Structure.*** We have executed a significant restructuring over the last 18 months, which combined with our relatively low capital investment requirements, has improved our cash flow and profitability. By closing our Imaging Solutions business, restructuring our balance sheet, and refining our business processes and strategy, we believe we have made significant structural improvements to our operating model and have enabled better flexibility to manage the fluctuations in the economy and our markets. In addition, the long lifecycles of our manufacturing processes, equipment and facilities allow us to keep our new capital requirements relatively low. We believe that our low-cost but highly skilled design and support engineers and manufacturing base position us favorably to compete in the marketplace and provide operating leverage in our operating model.

Our Strategy

Our objective is to grow our business, our cash flow and profitability and to continuously improve our position as a leading provider of analog and mixed-signal semiconductor products and services for high-volume markets. Our business strategy emphasizes the following key elements:

- ***Leverage Our Advanced Analog and Mixed-Signal Technology Platform to Innovate and Deliver New Products and Services.*** We intend to continue to utilize our extensive patent and technology portfolio, analog and mixed-signal design and manufacturing expertise and specific end-market applications and system-level design expertise to deliver products with high levels of performance by utilizing our systems expertise and leveraging our deep knowledge of our customers' needs. For example, we have recently utilized our extensive patent portfolio, process technologies and analog and mixed-signal technology platform to develop cost-effective Super Junction MOSFETs as well as low power integrated power solutions for AC-DC offline switchers to address more of our customers' needs. In Display Solutions, we continue to invest in research and development to introduce new technologies to support our customers' technology roadmaps such as their transition to 240Hz 3D LED televisions. In Semiconductor Manufacturing Services, we are developing cost-effective processes that substantially reduce die size using deep trench isolation.

- ***Increase Business with Existing Customers.*** We have a global customer base consisting of leading consumer electronics OEMs such as LG Display, Sharp and Samsung who sell into multiple end markets. We intend to continue to strengthen our relationships with our customers by collaborating on critical design and product development in order to improve our design win rates. We will seek to increase our customer penetration by more closely aligning our product roadmap with those of our key customers and by taking advantage of our broad product portfolio, our deep knowledge of customer needs and existing relationships to sell more existing and new products. For example, two of our largest display driver customers have display modules in production using our power management products. These power management products have been purchased and evaluated via their key subcontractors for LCD backlight units and LCD integrated power supplies.
- ***Broaden Our Customer Base.*** We expect to continue to expand our global design centers, local application engineering support and sales presence, particularly in China, Hong Kong, Taiwan and Macau, or collectively, Greater China, and other high-growth geographies, to penetrate new accounts. In addition, we intend to introduce new products and variations of existing products to address a broader customer base. In order to broaden our market penetration, we are complementing our direct customer relationships and sales with an expanded base of distributors, especially to aid the growth of our power management business. We expect to continue to expand our distribution channels as we broaden our power management penetration beyond existing customers.
- ***Aggressively Grow the Power Business.*** We have utilized our extensive patent portfolio, process technologies, captive manufacturing facilities and analog and mixed-signal technology platform to develop power management solutions that expand our market opportunity and address more of our customers' needs. We intend to increase the pace of our new power product introductions by continuing to collaborate closely with our industry-leading customers. For example, we recently began mass production of our first integrated power solution for LCD televisions at one of our major Korean customers. We also intend to capitalize on the market needs and regulatory requirements for power management products that reduce energy consumption of consumer electronic products by introducing products that are more energy efficient than those of competitors. We believe our integrated designs, unique low-cost process technologies and deep customer relationships will enable us to increase sales of our power solutions to our current power solutions customers, and as an extension of our other product offerings, to our other customers.
- ***Drive Execution Excellence.*** We have significantly improved our execution through a number of management initiatives implemented under the direction of our Chief Executive Officer and Chairman, Sang Park. As an example, we have introduced new processes for product development, customer service and personnel development. We expect these ongoing initiatives will continue to improve our new product development and customer service as well as enhance our commitment to a culture of quick action and execution by our workforce. In addition, we have focused on and continually improved our manufacturing efficiency during the past several years. As a result of our focus on execution excellence, we have also meaningfully reduced our time from new product definition to development completion. For example, we have improved our average development turnaround time by over 40% over the last three years for semiconductor manufacturing services by implementing continuous business process improvement initiatives.
- ***Optimize Asset Utilization, Return on Capital Investments and Cash Flow Generation.*** We intend to keep our capital expenditures relatively low by maintaining our focus on specialty process technologies that do not require substantial investment in frequent upgrades to the latest manufacturing equipment. We also believe our power management business should increase our utilization and return on capital as the manufacturing of these products primarily relies on our 0.35µm geometry and low-cost equipment. By utilizing our manufacturing

facilities for both our display solutions and power solutions products and our semiconductor manufacturing services customers, we will seek to maximize return on our capital investments and our cash flow generation.

Our Technology

We continuously strengthen our advanced analog and mixed-signal semiconductor technology platform by developing innovative technologies and integrated circuit building blocks that enhance the functionality of consumer electronics products through brighter displays, enhanced image quality, smaller form factor and longer battery life. We seek to further build our technology platform through proprietary research and development and selective licensing and acquisition of complementary technologies, as well as disciplined process improvements in our manufacturing operations. Our goal is to leverage our experience and development initiatives across multiple end markets and utilize our understanding of system-level issues our customers face to introduce new technologies that enable our customers to develop more advanced, higher performance products.

Our display technology portfolio includes building blocks for display drivers and timing controllers, processor and interface technologies, as well as sophisticated production techniques, such as chip-on-glass, or COG, which enables the manufacture of thinner displays. Our advanced display drivers incorporate LTPS and AMOLED panel technologies that enable the highest resolution displays. Furthermore, we are developing a broad intellectual property portfolio to improve the power efficiency of displays, including the development of our smart mobile luminance control, or SMLC, algorithm.

We have a long history of specialized process technology development and have a number of distinctive process implementations. We have approximately 200 process flows we can utilize for our products and offer to our semiconductor manufacturing services customers. Our process technologies include standard CMOS, high voltage CMOS, ultra-low leakage high voltage CMOS and BCDMOS. Our manufacturing processes incorporate embedded memory solutions such as static random access memory, or SRAM, one-time programmable, or OTP, memory, multiple-time programmable, or MTP, memory, electronically erasable programmable read only memory, or EEPROM, and single-transistor random access memory, or 1TRAM. More broadly, we focus extensively on processes that reduce die size across all of the products we manufacture, in order to deliver cost-effective solutions to our customers.

Expertise in high voltage and deep trench BCDMOS process technologies, low power analog and mixed-signal design capabilities and packaging know-how are key requirements in the power management market. We are currently leveraging our capabilities in these areas with products such as DC-DC converters, linear regulators, including LDO, regulators and analog switches, and power MOSFETs. We believe our system level understanding of applications such as LCD televisions and mobile phones will allow us to more quickly develop and customize power management solutions for our customers in these markets.

Our Products and Services

Our broad portfolio of products and services addresses multiple high-growth, consumer-focused end markets. A key component of our product strategy is to supply multiple related product and service offerings to each of the end markets that we serve.

Display Solutions

Display Driver Characteristics. Display drivers deliver defined analog voltages and currents that activate pixels to exhibit images on displays. The following key characteristics determine display driver performance and end-market application:

- ***Resolution and Number of Channels.*** Resolution determines the level of detail displayed within an image and is defined by the number of pixels per line multiplied by the number of

lines on a display. For large displays, higher resolution typically requires more display drivers for each panel. Display drivers that have a greater number of channels, however, generally require fewer display drivers for each panel and command a higher selling price per unit. Mobile displays, conversely, are typically single chip solutions designed to deliver a specific resolution. We cover resolutions ranging from QVGA (240RGB x 320) to QHD (960RGB x 540).

- ***Color Depth.*** Color depth is the number of colors that can be displayed on a panel. For example, for TFT-LCD panels, 262 thousand colors are supported by 6-bit source drivers; 16 million colors are supported by 8-bit source drivers; and 1 billion colors are supported by 10-bit and 12-bit source drivers.
- ***Operational Voltage.*** Display drivers are characterized by input and output voltages. Source drivers typically operate at input voltages from 2.0 to 3.6 volts and output voltages between 4.5 and 18 volts. Gate drivers typically operate at input voltages from 2.0 to 3.6 volts and output voltages of up to 40 volts. Lower input voltage results in lower power consumption and electromagnetic interference, or EMI.
- ***Gamma Curve.*** The relationship between the light passing through a pixel and the voltage applied to the pixel by the source driver is referred to as the gamma curve. The gamma curve of the source driver can correct some imperfections in picture quality in a process generally known as gamma correction. Some advanced display drivers feature up to three independent gamma curves to facilitate this correction.
- ***Driver Interface.*** Driver interface refers to the connection between the timing controller and the display drivers. Display drivers increasingly require higher bandwidth interface technology to address the larger data transfer rate necessary for higher definition images. The principal types of interface technologies are transistor-to-transistor logic, or TTL, reduced swing differential signaling, or RSDS, advance intra panel I/F, or AIPI, and mini-low voltage differential signaling, or m-LVDS.
- ***Package Type.*** The assembly of display drivers typically uses chip-on-film, or COF, tape carrier package, or TCP, and COG package types.

Large Display Solutions. We provide display solutions for a wide range of flat panel display sizes used in LCD televisions, including high definition televisions, or HDTVs, LED TVs, LCD monitors and mobile PCs.

Our large display solutions include source and gate drivers and timing controllers with a variety of interfaces, voltages, frequencies and packages to meet customers' needs. These products include advanced technologies such as high channel count, with products under development to provide up to 960 channels. We also offer a distinctive interface technology known as LCDS, which supports thinner displays for mobile PCs. Our large display solutions are designed to allow customers to cost-effectively meet the increasing demand for high resolution displays. We focus extensively on reducing the die size of our large display drivers and other solutions products, and we have recently introduced a number of new large display drivers with reduced die size.

The table below sets forth the features of our products, both in mass production and in development, for large-sized displays:

Product	Key Features	Applications
TFT-LCD Source Drivers	• 480 to 960 output channels • 6-bit (262 thousand colors), 8-bit (16 million colors), 10-bit (1 billion colors) • Output voltage ranging from 3.3V to 18V • Low power consumption and low EMI • Supports COF package types • Supports RSDS, m-LVDS, AiPi interface technologies • Geometries of 0.18mum to 0.22μm	• LCD monitors, including widescreens • Mobile PCs, including netbooks • Digital televisions, including LED TVs
TFT-LCD Gate Drivers	• 272 to 768 output channels • Output voltage ranging up to 40V • Supports COF and COG package types • Geometries of 0.35μm	• LCD monitors, including widescreens • Mobile PCs, including netbooks • Digital televisions, including LED TVs
Timing Controllers	• Product portfolio supports a wide range of resolutions • Supports m-LVDS interface technologies • Input voltage ranging from 2.3V to 3.6V • Geometries of 0.18μm	• LCD monitors, including widescreens • Mobile PCs, including netbooks

Mobile Display Solutions. Our mobile display solutions incorporate the industry's most advanced display technologies, such as LTPS and AMOLED, as well as high-volume technologies such as a-Si (amorphous silicon) TFT. Our mobile display products offer specialized capabilities, including high speed serial interfaces, such as mobile display digital interface, or MDDI, and mobile industry processor interface, or MIPI, as well as multi-time programmable, or MTP, memories, using EEPROM and logic-based OTP memory. Further, we are building a distinctive intellectual property portfolio that allows us to provide features that reduce power consumption, such as SMLC, ambient light-based brightness control, or LABC, automatic brightness control, or ABC, and automatic current limit, or ACL. This intellectual property portfolio will also support our power management product development initiatives, as we leverage our system level understanding of power efficiency.

The following table summarizes the features of our products, both in mass production and in development, for mobile displays:

Product	Key Features	Applications
LTPS	• Resolutions of QVGA, WQVGA, VGA, NHD, SVGA • Color depth ranging from 262 thousand to 16 million • MDDI, MIPI interface • EEPROM and logic-based OTP, separated gamma control	• Mobile phones • Digital still cameras
AMOLED	• Resolutions of WQVGA, HVGA, NHD, WVGA, QHD • Color depth ranging from 262 thousand to 16 million • Geometries of 0.11µm to 0.15µm • MDDI, MIPI interface • EEPROM and logic-based OTP • ABC, ACL, Pentile	• Mobile phones • Game consoles • Digital still cameras • Personal digital assistants • Portable media players
a-Si TFT	• Resolutions of QVGA, WQVGA, HVGA, WVGA, WSVGA, HD • Color depth ranging from 262 thousand to 16 million • MDDI, MIPI interface • Content adaptive brightness control, or CABC • LVDS, I²C, DCDC • Separated gamma control	• Mobile phones • Game consoles • Netbooks • Portable navigation devices

Power Solutions

We develop, manufacture and market power management solutions for a wide range of end market customers. The products include MOSFETs, LED Drivers, DC-DC converters, analog switches and linear regulators, such as LDOs.

- ***MOSFET.*** Our MOSFETs include low-voltage Trench MOSFETs, 20V to 100V, and high-voltage Planar MOSFETs, 400V through 600V. MOSFETs are used in applications to switch, shape or transfer electricity under varying power requirements. The key application segments are mobile phones, LCD televisions, desktop computers and power supplies for consumer electronics and industrial equipment. MOSFETs allow electronics manufacturers to achieve specific design goals of high efficiency and low standby power consumption. For example, computing solutions focus on delivering efficient controllers and MOSFETs for power management in VCORE, DDR and chipsets for audio, video and graphics processing systems.
- ***LED Drivers.*** LED driver solutions serve the fast-growing LCD panel backlighting market for LCD televisions and mobile PCs. Our products are designed to provide high efficiency and wide input voltage range as well as PWM dimming for accurate white LED dimming control.
- ***DC-DC Converters.*** We plan to release DC-DC converters targeting mobile applications and high power applications like LCD televisions, set-top boxes, DVD/Blu-ray players and display

modules. We expect our DC-DC converters will meet customer green power requirements by featuring wide input voltage ranges, high efficiency and small size.

- ***Analog Switches and Linear Regulators.*** We also provide analog switches and linear regulators for mobile applications. Our products are designed for high efficiency and low power consumption in mobile applications.

Our power management solutions enable customers to increase system stability and reduce heat dissipation and energy use, resulting in cost savings for our customers and consumers, as well as environmental benefits. Our in-house process technology capabilities and eight-inch wafer production lines increase efficiency and contribute to the competitiveness of our products.

The following table summarizes the features of our products, both in mass production and in development:

Product	Key Features	Applications
Low Voltage MOSFET	• V_{ds}(V) options of 20V–100V • R_{ds}(on) options of Max 5m Ω–50m Ω at 10V • Advanced 0.35μm Trench MOSFET Process • High cell density of 268Mcell/inch^2 • Advanced packages to enable reduction of PCB mounting area	• Mobile phones • Desktop computers • Mobile PCs • Digital TVs
High Voltage MOSFET	• Voltage options of 400, 500, and 600V • Drain current options of 1A–18A. • R_{ds}(on) options of 0.22~8.0 Ω (typical) • R^{2}FET (rapid recovery) option to shorten reverse diode recovery time • Zenor FET option for MOSFET protection for abnormal input • Advanced 0.50μm Planar MOSFET Process	• Power supplies for consumer electronics • Industrial charger and adaptors • Lighting (ballast, HID, LED) • Industrial equipment
LED Drivers	• High efficiency, wide input voltage range • Proven 0.35mum BCDMOS process • 40V modular BCDMOS • OCP, SCP, OVP and UVLO protections • Accurate LED current control and multi-channel matching • Programmable current limit, boost up frequency	• LED backlights

Product	Key Features	Applications
DC-DC Converters	• High efficiency, wide input voltage range • Proven 0.35µm BCDMOS process • 30V modular BCDMOS • Fast load and line regulation • Accurate output voltage • OCP, SCP and thermal protections	• LCD TVs • Set-top boxes • DVD/Blu-ray players
Analog Switches	*USB Switches* • Low C_{On}, 7.0pF (typical) limits signal distortion • Low R_{On}, 4.0 Ω (typical) • 0.35µm CMOS process *Audio Switches* • Negative Swing Support • Low R_{On}, 0.4 Ω (typical) • High ESD protection, 13kV • 0.35µm CMOS process	• Mobile phones
Linear Regulators	• Single and dual LDOs • Low Noise Output Linear µCap LDO Regulator • 2.3V to 5.5V input voltage and 150mA, 300mA output current • Small package size of DFN type • 0.35µm CMOS process	• Mobile phones

Semiconductor Manufacturing Services

We provide semiconductor manufacturing services to analog and mixed-signal semiconductor companies. We have approximately 200 process flows we offer to our semiconductor manufacturing services customers. We also often partner with key customers to jointly develop or customize specialized processes that enable our customers to improve their products and allow us to develop unique manufacturing expertise.

Our semiconductor manufacturing services offering is targeted at customers who require differentiated, specialty analog and mixed-signal process technologies such as high voltage CMOS, embedded memory and power. We refer to our approach of delivering specialized services to our customers as our application-specific technology, or AS Tech, strategy. We differentiate ourselves through the depth of our intellectual property portfolio, ability to customize process technology to meet the customers' requirements effectively, long history in this business and reputation for excellence.

Our semiconductor manufacturing services customers typically serve high-growth and high-volume applications in the consumer, computing and wireless end markets. We strive to be the primary manufacturing source for our semiconductor manufacturing services customers.

Process Technology Overview

- ***Mixed-Signal.*** Mixed-signal process technology is used in devices that require conversion of light and sound into electrical signals for processing and display. Our mixed-signal processes include advanced technologies such as low noise process using triple gate, which uses less

power at any given performance level. MEMS process technology allows the manufacture of components that use electrical energy to generate a mechanical response. For example, MEMS devices are used in the accelerometers and gyroscopes of mobile phones.

- ***Power.*** Power process technology, such as BCD, includes high voltage capabilities as well as the ability to integrate functionality such as self-regulation, internal protection, and other intelligent features. The unique process features such as deep trench isolation are suited for chip shrink and device performance enhancement.
- ***High Voltage CMOS.*** High voltage CMOS process technology facilitates the use of high voltage levels in conjunction with smaller transistor sizes. This process technology includes several variations, such as bipolar processes, which use transistors with qualities well suited for amplifying and switching applications, mixed mode processes, which incorporate denser, more power efficient FETs, and thick metal processes.
- ***Non-Volatile Memory.*** Non-volatile memory, or NVM, process technology enables the integration of non-volatile memory cells that allow retention of the stored information even when power is removed from the circuit. This type of memory is typically used for long-term persistent storage.

The table below sets forth the key process technologies in Semiconductor Manufacturing Services currently in mass production or development.

Process	Technology	Device	End Markets
Mixed-signal	• 0.13-0.8µm • Multipurpose • Low noise • Ultra low power • Triple gate	• Analog to digital converter • Digital to analog converter • Audio codec • Chipset	• Consumer • Wireless • Computing
Power	• 0.18-0.35µm • aBCD • Deep Trench Isolation • Trench MOSFET • Planar MOSFET • Schottky Diode • Zener Diode	• Power management • Mobile PMIC • LED drivers	• Consumer • Wireless • Computing
High Voltage CMOS	• 0.13-2.0µm • 5V-250V • Bipolar, Thick Metal	• Display drivers • CSTN drivers	• Consumer • Wireless • Computing
NVM	• 0.18-0.5µm • EEPROM • eFlash • OTP	• Microcontroller • Touch screen controller • Electronic tag • Hearing aid	• Consumer • Medical • Automotive

Manufacturing and Facilities

Our manufacturing operations consist of three fabrication facilities located at two sites in Cheongju and Gumi in Korea. These sites have a combined capacity of approximately 131,000 eight-inch equivalent wafers per month. We manufacture wafers utilizing geometries ranging from 0.11 to 2.0 micron. The Cheongju facilities have three main buildings totaling 164,058 square meters devoted to manufacturing and development. The Gumi facilities have one main building with 41,022 square meters devoted to manufacturing, testing and packaging.

In addition to our fabrication facilities, we lease facilities in Seoul, Korea, Cupertino, California, and Osaka, Japan. Each of these facilities includes administration, sales and marketing and research

and development functions. We lease sales and marketing offices at our subsidiaries in several other countries.

The ownership of our wafer manufacturing assets is an important component of our business strategy. Maintaining manufacturing control enables us to develop proprietary, differentiated products and results in higher production yields, as well as shortened design and production cycles. We believe our properties are adequate for the conduct of our business for the foreseeable future.

We use a combination of in-house and outsourced assembly, test and packaging services. Our independent providers of these services are located in Korea, China, Taiwan, Malaysia and Thailand.

We use processes that require specialized raw materials that are generally available from a limited number of suppliers. Tape is one of the process materials required for our display drivers. We continue to attempt to qualify additional suppliers for our raw materials.

Although we own our manufacturing facilities, we are party to a land lease and easement agreement with Hynix pursuant to which we lease the land for our facilities in Cheongju, Korea from Hynix for an indefinite term. Because we share certain facilities with Hynix, several services that are essential to our business are provided to us by or through Hynix under our general service supply agreement with Hynix. These services include electricity, bulk gases and de-ionized water, campus facilities and housing, wastewater and sewage management, environmental safety and certain utilities and infrastructure support services. These services generally continue until the general service supply agreement is terminated.

Sales and Marketing

We focus our sales and marketing strategy on creating and strengthening our relationships with leading consumer electronics OEMs, such as LG Display, Sharp and Samsung, as well as analog and mixed-signal semiconductor companies. We believe our close collaboration with customers allows us to align our product and process technology development with our customers' existing and future needs. Because our customers often service multiple end markets, our product sales teams are organized by customers within the major geographies. We believe this facilitates the sale of products that address multiple end-market applications to each of our customers. Our semiconductor manufacturing services sales teams focus on marketing our services to analog and mixed-signal semiconductor companies that require specialty manufacturing processes.

We sell our products through a direct sales force and a network of authorized agents and distributors. We have strategically located our sales and technical support offices near our customers. Our direct sales force consists primarily of representatives co-located with our design centers in Korea and Japan, as well as our local sales and support offices in Greater China and Europe. We have a network of agents and distributors in Korea, Japan, Europe and Greater China. With the expansion of the Power Solutions division portfolio, we expect to expand our sales agents and distributor franchises into Europe and the United States in 2010. On a combined basis for the ten months ended October 25, 2009 and the two months ended December 31, 2009, we derived 82% of net sales through our direct sales force and 18% of net sales through our network of authorized agents and distributors.

Research and Development

Our research and development efforts focus on intellectual property, design methodology and process technology for our complex analog and mixed-signal semiconductor products and services. Research and development expenses for the combined twelve-month period ended December 31, 2009 were $70.9 million, representing 12.7% of net sales, compared to $89.5 million, representing 14.9% of net sales for the year ended December 31, 2008, and $90.8 million, representing 12.8% of net sales for the year ended December 31, 2007.

Customers

We sell our display solutions and power solutions products to consumer electronics OEMs as well as subsystem designers and contract manufacturers. We sell our semiconductor manufacturing services to analog and mixed-signal semiconductor companies. For the year ended December 31, 2009, our ten largest customers accounted for 69% of our net sales, and we had one customer, LG Display, representing greater than 10% of our net sales. For the year December 31, 2009, we received revenues of $59.0 million from customers in the United States and $501.1 million from all foreign countries, of which 61.2% was from Korea, 18.5% from Taiwan, 7.6% from Japan and 9.6% from China, Hong Kong and Macau.

Intellectual Property

As of December 31, 2009, our portfolio of intellectual property assets included approximately 3,600 novel registered and pending patents. Because we file patents in multiple jurisdictions, we additionally have approximately 1,000 registered and pending patents that relate to identical technical claims in our base patent portfolio. Our patents expire at various times over the next 18 years. While these patents are in the aggregate important to our competitive position, we do not believe that any single registered or pending patent is material to us.

We have entered into exclusive and non-exclusive licenses and development agreements with third parties relating to the use of intellectual property of the third parties in our products and our design processes, including licenses related to embedded memory technology, design tools, process simulation tools, circuit designs and processor cores. Some of these licenses, including our agreements with Silicon Works Co., Ltd. and ARM Limited, are material to our business and may be terminated prior to the expiration of these licenses by the licensors should we fail to cure any breach under such licenses. Additionally, in connection with the Original Acquisition, Hynix retained a perpetual license to use the intellectual property that we acquired from Hynix in the Original Acquisition. Under this license, Hynix and its subsidiaries are free to develop products that may incorporate or embody intellectual property developed by us prior to October 2004.

Competition

We operate in highly competitive markets characterized by rapid technological change and continually advancing customer requirements. Although no one company competes with us in all of our product lines, we face significant competition in each of our market segments. Our competitors include other independent and captive manufacturers and designers of analog and mixed-signal integrated circuits including display driver and power management semiconductor devices, as well as companies providing specialty manufacturing services.

We compete based on design experience, manufacturing capabilities, the ability to service customer needs from the design phase through the shipping of a completed product, length of design cycle and quality of technical support and sales personnel. Our ability to compete successfully will depend on internal and external variables, both within and outside of our control. These variables include the timeliness with which we can develop new products and technologies, product performance and quality, manufacturing yields, capacity availability, customer service, pricing, industry trends and general economic trends.

Employees

Our worldwide workforce consisted of 3,155 employees (full- and part-time) as of January 31, 2010, of which 391 were involved in sales, marketing, general and administrative, 391 were in research and development (including 207 with advanced degrees), 74 were in quality, reliability and assurance and 2,299 were in manufacturing (comprised of 347 in engineering and 1,952 in operations). As of January 31, 2010, 2,037 employees, or approximately 64.6% of our workforce, were

represented by the MagnaChip Semiconductor Labor Union, which is a member of the Federation of Korean Metal Workers Trade Unions. We believe our labor relations are good.

Environmental

Our operations are subject to a variety of environmental, health and safety laws and regulations in each of the jurisdictions in which we operate, governing, among other things, air emissions, wastewater discharges, the generation, use, handling, storage and disposal of, and exposure to, hazardous substances (including asbestos) and waste, soil and groundwater contamination and employee health and safety. These laws and regulations are complex, constantly changing and have tended to become more stringent over time. There can be no assurance that we have been or will be in compliance with all these laws and regulations, or that we will not incur material costs or liabilities in connection with these laws and regulations in the future. The adoption of new environmental, health and safety laws, any failure to comply with new or existing laws or issues relating to hazardous substances could subject us to material liability (including substantial fines or penalties), impose the need for additional capital equipment or other process requirements upon us, curtail our operations or restrict our ability to expand operations.

Legal Proceedings

We are subject to lawsuits and claims that arise in the ordinary course of business and intellectual property litigation and infringement claims. Intellectual property litigation and infringement claims, in particular, could cause us to incur significant expenses or prevent us from selling our products. We are currently not involved in any legal proceedings the outcome of which we believe would have a material adverse effect on our business, financial condition or results of operations.

Segments

For a description of our business and the distribution of our assets by geographic regions and reporting segments, see note 23 to the consolidated financial statements of MagnaChip Semiconductor LLC for the ten-month period ended October 25, 2009 and the two-month period ended December 31, 2009 included elsewhere in this prospectus.

MANAGEMENT

Directors and Executive Officers and Corporate Governance.

The following table is a list of the current directors and executive officers of MagnaChip and their respective ages as of December 31, 2009:

Name	Age	Position
Sang Park	62	Chairman of the Board of Directors and Chief Executive Officer
Tae Young Hwang	53	Chief Operating Officer and President
Brent Rowe	48	Senior Vice President, Worldwide Sales
Margaret Sakai	52	Senior Vice President and Chief Financial Officer
Heung Kyu Kim	46	Senior Vice President and General Manager, Power Solutions Division
Tae Jong Lee	47	Senior Vice President and General Manager, Corporate Engineering
John McFarland	43	Senior Vice President, General Counsel and Secretary
Michael Elkins	41	Director
Randal Klein	44	Director
R. Douglas Norby	74	Director
Gidu Shroff	64	Director
Steven Tan	33	Director
Nader Tavakoli	51	Director

Sang Park, Chairman of the Board of Directors and Chief Executive Officer. Mr. Park became our Chairman of the board of directors and Chief Executive Officer on January 1, 2007, after serving as President, Chief Executive Officer and director since May 2006. Mr. Park served as an executive fellow for iSuppli Corporation from January 2005 to May 2006. Prior to joining iSuppli, he was founder and president of SP Associates, a consulting services provider for technology companies, from September 2003 to December 2004. Mr. Park served as Chief Executive Officer of Hynix from May 2002 to March 2003, and as Chief Operating Officer and President of the Semiconductor Division of Hynix from July 1999 to April 2002. Prior to his service at Hynix, Mr. Park was Vice President of Procurement Engineering at IBM in New York from 1995 to 1999, and he held various positions in procurement and operations at Hewlett Packard in California from 1979 to 1995. Our board of directors has concluded that Mr. Park should serve as a director and as chairman of the board of directors based on his extensive experience as an executive, investor and director in our industry and his experience and insight as our Chief Executive Officer.

Tae Young Hwang, Chief Operating Officer and President. Mr. Hwang became our Chief Operating Officer and President in November 2009. He previously served as our Executive Vice President, Manufacturing Division, and General Manager, Display Solutions from January 2007, and our Executive Vice President of Manufacturing Operations from October 2004. Prior to that time, Mr. Hwang served as Hynix's Senior Vice President of Manufacturing Operations, System IC, from 2002 to 2003. From 1999 to 2001, he was Vice President of Cheongju Operations for Hynix. Mr. Hwang holds a B.S. degree in Mechanical Engineering from Pusan National University and an M.B.A. from Cheongju University.

Brent Rowe, Senior Vice President, Worldwide Sales. Mr. Rowe became our Senior Vice President, Worldwide Sales in April 2006. Prior to joining our company, Mr. Rowe served at Fairchild Semiconductor International, Inc., a semiconductor manufacturer, as Vice President, Americas Sales and Marketing from August 2003 to October 2005; Vice President, Europe Sales and Marketing from

August 2002 to August 2003; and Vice President, Japan Sales and Marketing from April 2002 to August 2002. Mr. Rowe holds a B.S. degree in Chemical Engineering from the University of Illinois.

Margaret Sakai, Senior Vice President and Chief Financial Officer. Ms. Sakai became our Senior Vice President, Finance, on November 1, 2006 and our Chief Financial Officer on April 10, 2009. Prior to joining our company, she served as Chief Financial Officer of Asia Finance and Vice President of Photronics, Inc., a manufacturer of reticles and photomasks for semiconductor and microelectronic applications, since November 2003. From June 1999 to October 2003, Ms. Sakai was Executive Vice President and Chief Financial Officer of PKL Corporation, a photomask manufacturer. From October 1995 to May 1999, Ms. Sakai served as Director of Finance of Acqutek International Limited, a lead-frame manufacturer, and from March 1992 to September 1995, Ms. Sakai served as Financial Manager at National Semiconductor Corporation. Ms. Sakai worked as an Audit Supervisor at Coopers & Lybrand from January 1988 to March 1992. Ms. Sakai is a Certified Public Accountant in the State of California and holds a B.A. degree in Accounting from Babson College.

Heung Kyu Kim, Senior Vice President and General Manager, Power Solutions Division. Mr. Kim became our Senior Vice President and General Manager, Power Solutions Division, in July 2007. Prior to joining our company, Mr. Kim served at Fairchild Semiconductor International, Inc., a semiconductor manufacturer, as Vice President of the Power Conversion Product Line from July 2003 to June 2007, and as Director of Korea Sales and Marketing from April 1999 to June 2003. Mr. Kim holds a B.S. degree in Metallurgical Engineering from Korea University.

Tae Jong Lee, Senior Vice President and General Manager, Corporate Engineering. Mr. Lee became our Senior Vice President and General Manager, Corporate Engineering, in August 2009. He previously served as our Vice President, Corporate Engineering from September 2007. Prior to joining our company, Mr. Lee served as Director of the Technology Development Division, Chartered Semiconductor Manufacturing, in Singapore from 1999 to August 2007. Mr. Lee holds B.S. and M.S. degrees from Seoul National University, and a Ph.D in Physics from the University of Texas at Dallas.

John McFarland, Senior Vice President, General Counsel and Secretary. Mr. McFarland became our Senior Vice President, General Counsel and Secretary in April 2006, after serving as Vice President, General Counsel and Secretary since November 2004. Prior to joining our company, Mr. McFarland served as a foreign legal consultant at Bae, Kim & Lee, a law firm, from August 2003 to November 2004 and an associate at Wilson Sonsini Goodrich & Rosati, P.C., a law firm, from August 2000 to July 2003. Mr. McFarland holds a B.A. degree in Asian Studies, conferred with highest distinction from the University of Michigan, and a J.D. degree from the University of California, Los Angeles, School of Law.

Michael Elkins, Director. Mr. Elkins became our director in November 2009. Mr. Elkins joined Avenue in 2004 and is currently a Portfolio Manager of the Avenue U.S. Funds. In such capacity, Mr. Elkins is responsible for assisting with the direction of the investment activities of the Avenue U.S. strategy. Prior to joining Avenue, Mr. Elkins was a Portfolio Manager and Trader with ABP Investments US, Inc. While at ABP, he was responsible for actively managing high yield investments using a total return-special situations overlay strategy. Prior to ABP, Mr. Elkins served as a Portfolio Manager and Trader for UBK Asset Management, after joining the company as a High Yield Credit Analyst. Previously, Mr. Elkins was a Credit Analyst for both Oppenheimer & Co., Inc. and Smith Barney, Inc. Mr. Elkins holds a B.A. in Marketing from George Washington University and an M.B.A. in Finance from the Goizueta Business School at Emory University. Our board of directors has concluded that Mr. Elkins should serve on the board based upon his extensive investing and management experience.

Randal Klein, Director. Mr. Klein became our director in November 2009. Mr. Klein joined Avenue in 2004 and is currently a Senior Vice President of the Avenue U.S. Funds. In such capacity, Mr. Klein is responsible for identifying, analyzing and modeling investment opportunities for the Avenue U.S. strategy. Prior to joining Avenue, Mr. Klein was a Senior Vice President at Lehman

Brothers, where his responsibilities included restructuring advisory work, financial sponsors coverage, mergers and acquisitions and corporate finance. Prior to Lehman, Mr. Klein worked in sales, marketing and engineering as an aerospace engineer for The Boeing Company. Mr. Klein holds a B.S. in Aerospace Engineering, conferred with Highest Distinction from the University of Virginia, and an M.B.A. in Finance from the Wharton School of the University of Pennsylvania. Our board of directors has concluded that Mr. Klein should serve on the board based upon his extensive experience in finance, accounting and investing.

R. Douglas Norby, Director and Chairman of the Audit Committee. Mr. Norby became our director and Chairman of the Audit Committee in March 2010. Mr. Norby previously served as our director and Chairman of the Audit Committee from May 2006 until October 2008. Mr. Norby served as Senior Vice President and Chief Financial Officer of Tessera Technologies, Inc., a public semiconductor intellectual property company, from July 2003 to January 2006. Mr. Norby worked as a management consultant with Tessera from May 2003 until July 2003. Mr. Norby served as Chief Financial Officer of Zambeel, Inc., a data storage systems company, from March 2002 until February 2003, and as Senior Vice President and Chief Financial Officer of Novalux, Inc., an optoelectronics company, from December 2000 to March 2002. Prior to his tenure with Novalux, Inc., Mr. Norby served as Executive Vice President and Chief Financial Officer of LSI Logic Corporation from November 1996 to December 2000. Mr. Norby is a director of Alexion Pharmaceuticals, Inc. and STATS ChipPAC Ltd. Mr. Norby received a B.A. degree in Economics from Harvard University and an M.B.A. from Harvard Business School. Our board of directors has concluded that Mr. Norby should serve on our board based upon his extensive experience as a chief financial officer, his extensive experience in accounting and his experience as a public company director and audit committee chair.

Gidu Shroff, Director. Mr. Shroff became our director in March 2010. Mr. Shroff served in various positions at Intel Corporation from 1980 to July 2009. He served as a Corporate Vice President from January 2002 to July 2009, as Vice President of Materials from December 1997 to January 2002, and as General Manager of Outsourcing from January 1990 until December 1997. Mr. Shroff holds a B.S. in Metallurgy from Poona Engineering University in India, an M.S. in Materials Science from Stanford University and an M.B.A. from Santa Clara University. Our board of directors has concluded that Mr. Shroff should serve on the board based upon his extensive experience in the semiconductor industry.

Steven Tan, Director. Mr. Tan became our director in November 2009. Mr. Tan joined Avenue in 2005 and is currently a Vice President of the Avenue U.S. Funds. In such capacity, Mr. Tan is responsible for identifying and analyzing investment opportunities in the technology and telecommunications sectors for the Avenue U.S. strategy. Previously, Mr. Tan was a research analyst in the Avenue Event Driven Group where he was responsible for investments related to long/short equity, special situations and risk arbitrage. Prior to Avenue, Mr. Tan worked at Wasserstein Perella & Co., an investment and merchant bank, where he was a Mergers & Acquisitions analyst with the Industrial Group focusing on the automotive and industrial sectors. Mr. Tan holds a B.A. in Mathematics and Economics from Wesleyan University and an M.B.A. from the Harvard Business School. Our board of directors has concluded that Mr. Tan should serve on the board based on his extensive experience in finance and accounting and his experience as an investor in the technology sector.

Nader Tavakoli, Director. Mr. Tavakoli became our director in November 2009. Mr. Tavakoli has been Chairman and Chief Executive Officer of EagleRock Capital Management, a private investment firm based in New York City since January 2002. Prior to founding EagleRock, Mr. Tavakoli was a portfolio manager at Odyssey Partners, Highbridge Capital and Cowen and Co. Mr. Tavakoli holds a B.A. in History from Montclair State University and a J.D. from Rutgers School of Law. Our board of directors has concluded that Mr. Tavakoli should serve on the board based upon his extensive investing experience.

Involvement in Certain Legal Proceedings

Sang Park was the Chairman of our board of directors and Chief Executive Officer and Tae Young Hwang, Brent Rowe, Margaret Sakai, Heung Kyu Kim, Tae Jong Lee and John McFarland were each officers during our Chapter 11 reorganization proceedings. R. Douglas Norby was one of our directors until September 2008. Mr. Norby was also an officer of Novalux, Inc., a private company, which was subject to bankruptcy proceedings in March 2003, approximately one year after Mr. Norby's departure from Novalux, Inc.

Board Composition

Our bylaws will provide that our board of directors will consist of seven members. Mr. Park, our Chief Executive Officer, is the Chairman of our board of directors. Messrs. Elkins, Klein, and Tan have been designated to serve on our board by our largest equity holder, which consists of funds affiliated with Avenue Capital Management II, L.P. Messrs. Norby, Shroff and Tavakoli serve as independent directors elected by the affirmative vote of holders of more than 50% of our outstanding common equity.

Audit Committee

Our audit committee consists of Mr. Norby as Chairman and Messrs. Klein and Tavakoli. Our board of directors has determined that Mr. Norby is an audit committee financial expert as defined in Item 407(d)(5) of Regulation S-K promulgated under the Securities Act. Our board has also determined that Messrs. Norby and Tavakoli are "independent" as that term is defined in both Rule 303A of the NYSE rules and Rule 10A-3 promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and, upon the closing of this offering, will each be an "independent director" as that term is defined in Rule 303A of the NYSE rules. In making this determination, our board of directors considered the relationships that Messrs. Norby and Tavakoli have with our company and all other facts and circumstances our board of directors deemed relevant in determining their independence, including any beneficial ownership of our equity. In accordance with applicable rules of the NYSE, we are relying upon an exception that allows us to phase in our compliance with the independent audit committee requirement as follows, (i) one independent member at the time of listing; (ii) a majority of independent members within 90 days of listing; and (iii) all independent members within one year of listing.

Compensation Committee

The compensation committee of the board will be appointed prior to the closing of this offering. The compensation committee will have overall responsibility for evaluating and approving our executive officer and director compensation plans, policies and programs, as well as all equity-based compensation plans and policies.

Nominating and Governance Committee

The nominating and governance committee will be appointed prior to the closing of this offering. The nominating and governance committee's mandate will be to identify qualified individuals to become members of the board, to oversee an annual evaluation of the board of directors and its committees, to periodically review and recommend to the board any proposed changes to our corporate governance guidelines and to monitor our corporate governance structure.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all of our directors, officers and employees. We will provide a copy of our Code of Business Conduct and Ethics without charge to any person upon written request made to our Senior Vice President, General Counsel and Secretary at c/o MagnaChip Semiconductor, Ltd., 891 Daechi-dong, Gangnam-gu, Seoul, 135-738,

Korea. Our Code of Business Conduct and Ethics is also available on our website at www.magnachip.com.

Assessment of Risk

Our board of directors believes that our compensation programs are designed such that they will not incentivize unnecessary risk-taking. The base salary component of our compensation program is a fixed amount and does not depend on performance. Our cash incentive program takes into account multiple metrics, thus diversifying the risk associated with any single performance metric, and we believe it does not incentivize our executive officers to focus exclusively on short-term outcomes. Our equity awards are limited by the terms of our equity plans to a fixed maximum specified in the plan, and are subject to vesting to align the long-term interests of our executive officers with those of our equityholders.

Compensation Discussion and Analysis

Executive Compensation

Compensation Philosophy and Objectives

The compensation committee of our board of directors, or the Committee, has overall responsibility for administering our compensation program for our "named executive officers." The Committee's responsibilities consist of evaluating, approving and monitoring our executive officer and director compensation plans, policies and programs, as well as each of our equity-based compensation plans and policies. Prior to 2010, compensation decisions were made by the entire board of directors and for the discussion that follows, references to the Committee during such period refer to the entire board. For 2009, our named executive officers who continue to serve as executive officers were:

- Sang Park, Chairman of the Board of Directors and Chief Executive Officer;
- Tae Young Hwang, Chief Operating Officer and President;
- Brent Rowe, Senior Vice President, Worldwide Sales;
- Margaret Sakai, Senior Vice President and Chief Financial Officer; and
- John McFarland, Senior Vice President, General Counsel and Secretary.

The Committee seeks to establish total compensation for executive officers that is fair, reasonable and competitive. The Committee evaluates our compensation packages to ensure that:

- we maintain our ability to attract and retain superior executives in critical positions;
- our executives are incentivized and rewarded for aggressive corporate growth, achievement of long-term corporate objectives and individual performance that meets or exceeds our expectations without encouraging unnecessary risk-taking; and
- compensation provided to critical executives remains competitive relative to the compensation paid to similarly situated executives of companies in the semiconductor industry.

The Committee believes that the most effective executive compensation packages align executives' interests with those of our unitholders by rewarding performance that exceeds specific annual, long-term and strategic goals that are intended to improve unitholder value. These objectives include the achievement of financial performance goals and progress on projects that our board of directors anticipates will lead to future growth, as discussed more fully below.

The information set forth below in this Compensation Discussion and Analysis describes the Committee's general philosophy and historical approach. However, given our financial challenges, in

the beginning of 2009, the Committee determined to continue the arrangements from the prior year and did not perform any in depth analysis.

Until April 2009, Robert J. Krakauer served as our President, Chief Financial Officer, and director. In April 2009, we entered into a Senior Advisor Agreement with Mr. Krakauer pursuant to which he resigned from his employment and as a director but remains available to consult with us in a limited capacity until April 2010 to one year thereafter. Although Mr. Krakauer is no longer one our executive officers, his 2009 compensation is reported herein in accordance with SEC rules.

Role of Executive Officers in Compensation Decisions

For named executive officers other than our chief executive officer, we have historically sought and considered input from our chief executive officer in making determinations regarding executive compensation. Our chief executive officer annually reviews the performance of our other named executive officers. Our chief executive officer subsequently presents conclusions and recommendations regarding such officers, including proposed salary adjustments and incentive amounts, to the Committee. The Committee then makes final decisions regarding any adjustments or awards.

The review of performance by the Committee and our chief executive officer of other executive officers is both an objective and subjective assessment of each executive's contribution to our performance, leadership qualities, strengths and weaknesses and the individual's performance relative to goals set by the Committee or our chief executive officer, as applicable. The Committee and our chief executive officer do not systematically assign a weight to the factors, and may, in their discretion, consider or disregard any one factor which, in their sole discretion, is important to or irrelevant for a particular executive.

The Committee's annual determinations regarding executive compensation are subject to the terms of the respective service agreements between us and the named executive officers (as set forth in more detail below). In addition to the annual reviews, the Committee also typically considers compensation changes upon a named executive officer's promotion or other change in job responsibility. Neither our chief executive officer nor any of our other executives participates in deliberations relating to their own compensation.

Role of Compensation Consultants

The Committee has the authority to retain the services of third-party executive compensation specialists in connection with the establishment of cash and equity compensation and related policies. Historically, we have engaged compensation consultants to provide information and recommendations relating to executive pay and equity compensation or otherwise obtained third party compensation surveys. In light of the financial challenges we were facing, we did not use a compensation consultant, or review any formal industry data, in connection with setting 2009 executive compensation. The Committee has not retained a compensation consultant for 2010.

Timing of Compensation Decisions

At the end of each fiscal year, our chief executive officer will review the performance of the other executive officers and present his conclusions and recommendations to the Committee. At that time and throughout the year, the Committee will also evaluate the performance of our chief executive officer, which is measured in substantial part against our consolidated financial performance. In January of the following fiscal year, the Committee will then assess the overall functioning of our compensation plans against our goals, and determine whether any changes to the allocation of compensation elements, or the structure or level of any particular compensation element, are warranted.

In connection with this process, our Committee generally establishes the elements of its performance-based cash bonus plan for the upcoming year. With respect to newly hired employees, our practice is typically to approve equity grants at the first meeting of the Committee following such employee's hire date. We do not have any program, plan or practice to time equity award grants in coordination with the release of material non-public information. From time to time, additional equity awards may be granted to executive officers during the fiscal year. For example, in December 2009, our executive officers were granted restricted unit bonuses and nonstatutory options for common units, as further described below.

Elements of Compensation

In making decisions regarding the pay of the named executive officers, the Committee looks to set a total compensation package for each officer that will retain high-quality talent and motivate executives to achieve the goals set by our board of directors. Our 2009 compensation package was composed of the following elements:

- annual base salary;
- short-term cash incentives;
- long-term equity incentives;
- a benefits package that is generally available to all of our employees; and
- expatriate and other executive benefits.

Determination of Amount of Each Element of Compensation

General Background

In 2009, our board of directors assessed the overall functioning of our compensation plans against our goals, and, due to our financial condition and impending reorganization proceedings, determined no changes to the allocation of compensation elements, or the structure or level of any particular compensation element, were warranted for 2009.

The Committee seeks to establish a total cash compensation package for our named executive officers that is competitive and within the ranges reflected in compensation data reviewed by the Committee, subject to adjustments based on each executive's experience and performance. Historically, based on the recommendations provided by outside advisors, our review of industry specific survey data and the professional and market experience of our board of directors, we measured total cash compensation for our named executive officers against cash compensation paid to similarly situated executives in the semiconductor industry. Base salaries for our named executive officers were benchmarked to median levels for companies in the semiconductor industry, and short-term cash incentives were put in place to raise total cash compensation targets above median levels if the Committee were to determine that our performance and that of our named executive officers exceeded expectations and the goals established by the Committee.

Historically, in determining the total cash and other compensation for each named executive officer, we benchmarked compensation based on data from other major Korean semiconductor companies, including Fairchild Korea, Dongbu Hitek, ChipPac Korea and Hynix Semiconductor, and

we reviewed compensation data from TowersPerrin Korea, an independent compensation consultant, which surveyed the following companies:

- Accenture
- Advanced Micro Devices
- Applied Materials
- ASML
- Blizzard
- Cisco Systems
- CJ Internet
- CommVerge
- CSR
- Dell
- Electronic Arts
- GCT Semiconductor
- Gravity
- JCEntertainment
- KLA-Tencor
- Lam Research
- Lexmark International
- Microsoft
- NCsoft
- Neowiz Games
- NHN Games
- Npluto
- NXP Semiconductors
- Orange Business Services
- Sony Computer Entertainment
- Tokyo Electron
- Toshiba Group
- Verizon Business

Equity awards are not tied to base salary or cash incentive amounts and will constitute lesser or greater proportions of total compensation depending on the fair value of the awards. The Committee, relying on the professional and market experience of our Committee members, generally seeks to set equity awards at levels which are within the ranges offered at other companies in the semiconductor industry. The Committee does not apply a formula or assign relative weight in making its determination. Instead, it makes a subjective determination after considering all information collectively.

The Committee establishes guidelines regarding the aggregate actual and expected cash and other compensation for each of our executive officers. The Committee develops these annual guidelines based on our annual operating plan, which is adopted in the December preceding each fiscal year, including the expected conduct of our business in the coming fiscal year, and then modifies the guidance as-needed to adjust for changes in our business during the year. The Committee makes all equity compensation decisions for our officers based on existing compensation arrangements for other of our executives at the same level of responsibility and based on our review of the market with a view to maintaining internal consistency and parity. The Committee may make additional equity compensation grants from time to time in its discretion.

Base Salary

Base salary is the guaranteed element of an employee's annual cash compensation. Increases in base salary reflect the employee's long-term performance, skill set and the value of that skill set, as well as changes to the compensation arrangements of the companies we benchmark. The Committee evaluates the performance of each named executive officer on an annual basis based on the accomplishment of performance objectives that were established at the beginning of the prior fiscal year as well as its own subjective evaluation of the officer's performance. In making its evaluation, the Committee determines changes in the base salary of each named executive officer based on a subjective qualitative assessment of the officer's contribution to our performance during the preceding year, including leadership, success in attaining particular goals of a division for which that officer has responsibility, our overall financial performance and such other criteria as the Committee may deem relevant, including input from the Company's Chief Executive Officer. The Committee then makes a subjective decision based on these factors. The Committee does not systematically assign weights to any of the factors it considers, and may, in its discretion, ignore any factors or deem any one factor to have greater importance for a particular executive officer.

Based upon our financial condition at the time, the Committee determined not to change compensation arrangements at the beginning of 2009. Our employees, including our executive officers, voluntarily accepted a 20% reduction in base salary from 2008 levels from January to March 2009, and an additional 10% reduction from April to June 2009, as part of austerity measures implemented to assist in our recovery. Mr. Park voluntarily accepted a 40% reduction in base salary from January to March 2009, and an additional 20% pay reduction from April to June 2009. We restored salaries to 2008 levels in July 2009. In December 2009, as a reward for the successful

completion of our reorganization proceedings, our board of directors granted a one-time incentive of 30% of monthly base salary to all employees, and granted special discretionary incentives to Mr. Park, Mr. Hwang, Ms. Sakai and Mr. McFarland, as described in more detail below.

Cash Incentives

Short-term cash incentives comprise a significant portion of the total target compensation package and are designed to reward executives for their contributions to meeting and exceeding our goals and to recognize and reward our executives in achieving these goals. Incentives are designed as a percentage of base salary and are awarded based on individual performance and our achievement of the annual, long-term and strategic quantitative goals set by our Committee.

Given our financial position at the beginning of 2009, we did not set new targets for our cash incentive plans for 2009. As a result, our short-term cash incentive plan was effectively suspended through most of the year. In December 2009, our board of directors implemented a cash incentive plan effective as of January 1, 2010, which we call the Profit Sharing Plan. Each of our employees is eligible to participate in the Profit Sharing Plan, and our board of directors intends for the Profit Sharing Plan to incentivize our named executive officers, officers and employees to exceed expectations throughout our entire fiscal year. Our board of directors has empowered the Committee to administer the Profit Sharing Plan.

Under the Profit Sharing Plan, the Committee will review our business plan in December of each year and determine an annual consolidated Adjusted EBITDA target, or the Base Target, for the upcoming fiscal year and set the targeted amount to be awarded to our named executive officers and employees, or the Profit Share, for meeting the Base Target and for achievement in excess of the Base Target.

The Base Target is calculated as a percentage of our forecasted gross annual revenue for the upcoming fiscal year. We determine our revenue forecast by looking at several factors, including existing orders from our customers, quarterly and annual forecasts from our customers, our product roadmap and how it corresponds with our projected customer needs, and the overall industry forecasts for the semiconductor market. The Committee's goal is to set a Base Target that is difficult but not unreasonable to achieve. To determine the percentage of gross annual revenue for purposes of setting the Base Target, the Committee, in consultation with our board of directors, first determines a range of Adjusted EBITDA growth and gross margin that is competitive and will ensure that we build unitholder value, then sets a percentage such that the forecasted Adjusted EBITDA growth and gross margin is within that range. See "Prospectus Summary — Summary Historical and Unaudited Pro Forma Consolidated Financial Data" for a discussion of how we define Adjusted EBITDA. We believe that Adjusted EBITDA is an appropriate measure of our performance because Adjusted EBITDA eliminates the impact of a number of items that we do not consider to be indicative of our core ongoing operating performance, is an enterprise level performance measure commonly reported and widely used by analysts and investors in our industry, and provides a more consistent measurement of period to period performance of our core operations, as well as a comparison of our operating performance to companies in our industry. For additional information regarding how we calculate Adjusted EBITDA and Adjusted Net Income, please see "Prospectus Summary — Summary Historical and Unaudited Pro Forma Consolidated Financial Data."

Each named executive officer receives as a Profit Share a set percentage of their annual base salary once the Base Target is achieved. For 2010, our Chief Executive Officer is eligible to receive 40% of annual base salary, our President is eligible to receive 33.3% of annual base salary, our General Managers are eligible to receive 26.7% of annual base salary, our Senior Vice Presidents are eligible to receive 23.3% of annual base salary and our Vice Presidents are eligible to receive 20% of annual base salary. In the event we exceed the Base Target, we will pay to our executive officers and employees an additional Profit Share of 25% of our annual consolidated Adjusted EBITDA in excess of the Base Target.

We pay the Profit Share during the normal pay period in the January following the conclusion of each fiscal year for which the Profit Share is calculated, and the Profit Share is only payable to those executives who have been employed by us during the entire fiscal year for which the Profit Share is calculated and who are employed by us on the Profit Share payment date, provided that the Profit Share is payable pro rata to any named executive officers who begin their employment during the fiscal year for which the Profit Share is calculated.

The Committee retains the sole discretion to (i) authorize the payment of the Profit Share in December of the relevant fiscal year when the Committee believes the Base Target will be achieved, (ii) pay Profit Shares when we achieve slightly less than the Base Target, and (iii) make interim Profit Share payments during the fiscal year. In addition to the Profit Sharing Plan, the Committee retains the right to grant discretionary incentives to our named executive officers as a reward for extraordinary performance. For example, as discussed above, Mr. Park, Mr. Hwang, Ms. Sakai and Mr. McFarland were paid a discretionary incentive in December 2009 in recognition of their role in our successful reorganization proceedings.

For 2010, the implementation of the Profit Sharing Plan has been modified to provide our employees with an opportunity to share in company success earlier in the fiscal year than under the existing Profit Sharing Plan. In addition to setting the Base Target, two interim targets for our first and second fiscal quarters have been set. We will pay a Profit Share distribution in the first normal pay period following the conclusion of each fiscal quarter for each interim target that we reach. The total Profit Share payable for meeting the Base Target will be offset by any profit share paid in 2010 for reaching either or both of the interim targets. In addition, for 2010, we will not pay a Profit Share of 25% of our annual consolidated Adjusted EBITDA in excess of the Base Target.

Equity Compensation

In addition to cash incentives, we offer equity incentives as a way to enhance the link between the creation of unitholder value and executive incentive compensation and to give our executives appropriate motivation and rewards for achieving increases in enterprise value. Under our 2009 Common Unit Plan, our board of directors granted options to acquire MagnaChip Semiconductor LLC common units and restricted unit bonus awards. Awards under our 2009 Common Unit Plan will be converted into options for common stock and restricted common stock of MagnaChip Semiconductor Corporation upon our corporate conversion. Such options vest in installments over three years following grant, with approximately one-third of the restricted unit awards vested at grant and the remainder vesting in two subsequent annual installments, as set forth in more detail below.

Under our 2010 Equity Incentive Plan, which will replace the 2009 Common Unit Plan immediately following our corporation conversion, the Committee may grant participants stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares and units, and other stock-based and cash-based awards. In granting equity awards, the Committee may establish any conditions or restrictions it deems appropriate. Stock options and stock appreciation rights must have exercise prices at least equal to the fair market value of the stock at the time of their grant pursuant to the 2010 Equity Incentive Plan. The fair market value of the stock at the time of grant will generally be the closing price of a share of stock as quoted on the national or regional securities exchange or quotation system constituting the primary market for the stock on the date any grant is made. Prior to the exercise of a stock option or stock appreciation or settlement of an award denominated in units, the holder has no rights as a stockholder with respect to the stock subject to the award, including voting rights and the right to receive dividends. Participants receiving restricted stock awards are stockholders and have both voting rights and the right to receive dividends, except that dividends paid on unvested shares may remain subject to forfeiture until vested. Award vesting ceases upon termination of employment, and vested options and stock appreciation rights remain exercisable only for a limited period following such termination.

The Committee considers granting additional equity compensation in the event of new employment, or a promotion or change in job responsibility or in its discretion to reward or incentivize individual officers. The option award levels vary among participants based on their job grade and position. The Committee makes subjective determinations regarding award amounts in light of the available pool, and will provide higher awards to those executives in positions considered by the Committee to be more critical to our long-term success. The Committee will generally maintain substantially equivalent award levels for executives at equivalent job grades in positions with no material difference in criticality. Stock option awards are not tied to base salary or cash incentive amounts.

We generally expect to grant equity compensation in the form of unit options. However, in December 2009, in recognition of services provided in guiding us through our reorganization proceedings, our board of directors granted each of our current named executive officers a restricted unit bonus in addition to an option. We granted restricted unit bonuses in order to provide our executives with an embedded value while still incentivizing them to contribute toward increasing our enterprise value. See additional details below in “Grant of Plan-Based Awards.” Thirty-four percent of each restricted unit bonus vested upon grant, with the remaining portion vesting in equal installments on the first and second anniversary of the grant date. Thirty-four percent of the common units subject to the options will vest and become exercisable on the first anniversary of grant date, with 8 or 9% of the common units subject to the options vesting on completion of each three-month period thereafter through December 2012.

Upon the recommendation of our board of directors or chief executive officer, or otherwise, the Committee may in the future consider granting additional performance-based equity incentives.

Perquisites and Other Benefits

We provide the named executive officers with perquisites and other personal benefits, including expatriate benefits, that the Committee believes are reasonable and consistent with its overall compensation program to better enable us to attract and retain superior employees for key positions. The Committee determines the level and types of expatriate benefits for the officers based on local market surveys taken by our human resources group. Attributed costs of the personal benefits for the named executive officers are as set forth in the Summary Compensation Table below.

Mr. Park, Ms. Sakai and Mr. McFarland were expatriates during all or part of 2009 and received expatriate benefits commensurate with market practice in Korea. These perquisites, which were determined on an individual basis, included housing allowances, relocation allowances, insurance premiums, reimbursement for the use of a car, home leave flights, living expenses, tax equalization payments and tax advisory services, each as we deemed appropriate.

In addition, pursuant to the Employee Retirement Benefit Security Act, certain executive officers resident in Korea with one or more years of service are entitled to severance benefits upon the termination of their employment for any reason. For purposes of this section, we call this benefit “statutory severance.” The base statutory severance is approximately one month of base salary per year of service. Mr. Hwang, Ms. Sakai and Mr. McFarland accrue statutory severance.

Summary Compensation Table

The following table sets forth certain information concerning the compensation earned during the years ended December 31, 2007, 2008 and 2009, of our named executive officers:

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)(1)	Change in Pension Value and Non-qualified Deferred Compen-sation Earnings ($)(2)	All Other Compen-sation ($)	Total ($)
Sang Park	2009	376,980	613,893	1,769,600	488,070		314,785(3)	3,563,328
Chairman and	2008	442,128					351,897(4)	794,025
Chief Executive Officer	2007	450,148	309,330				244,468(5)	1,003,946
Tae Young Hwang,	2009	189,748	106,544	663,600	305,044	119,541	10,884(6)	1,395,361
Chief Operating	2008	212,307				99,095	20,293(7)	331,695
Officer and President	2007	236,830	119,339			19,735	11,476(8)	387,380
Brent Rowe	2009	293,054	176,000(9)	442,400	183,026		12,231(10)	1,106,711
Senior Vice President,	2008	226,308	176,000(11)				25,673(12)	427,981
Worldwide Sales	2007	220,846	176,000(13)				142,191(14)	539,037
Margaret Sakai	2009	238,347	46,549	265,440	73,211	12,143	163,668(15)	799,358
Senior Vice President,	2008	250,934				37,683	180,025(16)	468,642
Chief Financial Officer	2007	250,082	21,569			24,086	167,791(17)	463,528
John McFarland,	2009	172,229	44,764	265,440	48,807	14,369	99,615(18)	645,224
Senior Vice President,	2008	191,147				21,492	79,790(19)	292,429
General Counsel and Secretary	2007	201,839	75,930		23,195	22,802	97,334(20)	421,100
Robert J. Krakauer,	2009	467,265					176,554(21)	643,819
Former President	2008	468,426					820,236(22)	1,288,662
and Chief Financial Officer	2007	375,123	270,903				707,831(23)	1,353,857

Note: Amounts set forth in the above table that were originally paid in Korean won from January 1 to October 25, 2009 and during the fiscal years ended December 31, 2008 and 2007 have been converted into U.S. dollars using an average exchange rates during the respective periods. After October 25, 2009, a monthly average exchange rate was used.

Footnotes:

(1) Represents grant date fair value with respect to the fiscal year determined in accordance with FASB ASC 718. See “Note 4 Summary of Significant Accounting Policies — Unit-Based Compensation,” and “Note 19 Equity Incentive Plans,” to the MagnaChip Semiconductor LLC audited consolidated financial statements for the two months ended December 31, 2009, the ten months ended October 25, 2009 and the years ended 2008 and 2007.

(2) Consists of statutory severance accrued during the two months ended December 31, 2009, ten months ended October 25, 2009 and the years ended December 31, 2008 and 2007, as applicable. See the section subtitled “Compensation Discussion and Analysis” for a description of the statutory severance benefit.

(3) Includes the following personal benefits paid to Mr. Park: (a) $125,073 equivalent to one year prepayment of housing expenses for Mr. Park’s amended housing lease; (b) $28,386 for insurance premiums; (c) $48,319 for other personal benefits (including reimbursement of the use of a car, home leave flights, living expenses and personal tax advisory expenses); and (d) $89,252 of reimbursement for the difference between the actual tax Mr. Park already paid and the hypothetical tax he had to pay for the fiscal year 2008; and (e) $23,755 for reimbursement of Korean tax.

(4) Includes the following personal benefits paid to Mr. Park: (a) $70,838 equivalent to six months from $301,410 for prepayment of Mr. Park’s housing expenses for two years, $82,828 for seven months’ rent for Mr. Park’s new housing lease for two years and $8,192 equivalent to housing expenses for six months calculated from the key money deposit for Mr. Park’s new housing lease for two years; (b) $27,290 for insurance premiums; (c) $35,787 for other personal benefits (including reimbursement of the use of a car, home leave flights and personal tax advisory expenses); (d) $78,913 of reimbursement for the difference between the actual tax Mr. Park already paid and the hypothetical tax he had to pay for the fiscal year 2006 and 2007; (e) $24,962 for Mr. Park’s living expenses; and (f) $23,087 for reimbursement of Korean tax and employee fringe benefits.

(5) Includes the following personal benefits paid to Mr. Park: (a) $154,798 equivalent to one year prepayment of Mr. Park’s housing expenses for two years; (b) $42,684 for insurance premiums; (c) $31,750 for other personal benefits (including personal tax advisory expenses); (d) $1,188 of reimbursement in relation to a Korean tax payment in 2006; and (e) $14,048 for reimbursement of Korean tax, the employee contribution portion of the Korean national health insurance program and employee fringe benefits.

(6) Includes the following personal benefits paid to Mr. Hwang: (a) $7,832 for reimbursement of the use of a car; and (b) $3,052 for insurance premiums.

(7) Includes the following personal benefits paid to Mr. Hwang: (a) $9,541 for reimbursement of the use of a car; (b) $9,070 for insurance premiums; and (c) $1,682 for employee fringe benefits.

(8) Includes the following personal benefits paid to Mr. Hwang: (a) $11,056 for reimbursement of the use of a car; and (b) $420 for employee fringe benefits.

(9) Under Mr. Rowe's offer letter (as supplemented), in 2007, Mr. Rowe elected to receive a $528,000 advance on his first three years of potential annual bonus payments at a rate of 80% of base pay. One-third of this amount ($176,000) was earned in 2009.

(10) Includes the following personal benefits paid to Mr. Rowe: (a) $1,597 for reimbursement of the use of a car; and (b) $10,634 for insurance premiums.

(11) Under Mr. Rowe's offer letter (as supplemented), in 2007, Mr. Rowe elected to receive a $528,000 advance on his first three years of potential annual bonus payments at a rate of 80% of base pay. One-third of this amount ($176,000) was earned in 2008.

(12) Includes the following personal benefits paid to Mr. Rowe: (a) $1,983 for reimbursement of the use of a car; (b) $13,027 for insurance premiums; and (c) $10,663 for personal tax advisory expenses.

(13) Under Mr. Rowe's offer letter (as supplemented), in 2007, Mr. Rowe elected to receive a $528,000 advance on his first three years of potential annual bonus payments at a rate of 80% of base pay. One-third of this amount ($176,000) was earned in 2007.

(14) Includes the following personal benefits paid to Mr. Rowe: (a) $121,826 of Mr. Rowe's relocation allowance when he returned to the U.S. from an expatriate assignment in Korea; (b) $3,000 for contributions to a pension plan; (c) $4,967 for personal tax advisory expenses; (d) $12,130 for insurance premiums; and (e) $268 for reimbursement of the use of a car.

(15) Includes the following personal benefits paid to Ms. Sakai: (a) $25,590 for four months' rent for Ms. Sakai's new housing lease and $32,650 equivalent to housing expenses for eight months calculated from the key money deposit for Ms. Sakai's housing lease for two years; (b) $33,735 for reimbursement of tuition expenses for Ms. Sakai's children; (c) $21,352 for Ms. Sakai's home leave flights; (d) $28,238 for insurance premiums; (e) $8,568 for other personal benefits (including reimbursement of the use of a car, personal tax advisory expenses, and communication expenses); and (f) $13,535 for reimbursement of Korean tax.

(16) Includes the following personal benefits paid to Ms. Sakai: (a) $61,438 equivalent to housing expenses for one year calculated from the key money deposit for Ms. Sakai's housing lease for two years; (b) $38,046 for reimbursement of tuition expenses for Ms. Sakai's children; (c) $23,420 for Ms. Sakai's home leave flights; (d) $27,211 for insurance premiums; (e) $21,460 for other personal benefits (including reimbursement of the use of a car, personal tax advisory expenses, and communication expenses); and (f) $8,450 for reimbursement of Korean tax and employee fringe benefits.

(17) Includes the following personal benefits paid to Ms. Sakai: (a) $72,661 equivalent to housing expenses for one year calculated from the key money deposit for Ms. Sakai's housing lease for two years; (b) $30,649 for reimbursement of tuition expenses for Ms. Sakai's children; (c) $18,709 for Ms. Sakai's home leave flights; (d) $28,140 for insurance premiums; (e) $13,673 for other personal benefits (including reimbursement of the use of a car, personal tax advisory expenses, and communication expenses); and (f) $3,959 for reimbursement of the employee contribution portion of the Korean national health insurance program and employee fringe benefits.

(18) Includes the following personal benefits paid to Mr. McFarland: (a) $23,351 for reimbursement of tuition expenses for Mr. McFarland's child; (b) $19,978 of reimbursement for the difference between the actual tax Mr. McFarland already paid and the hypothetical tax he had to pay for the fiscal year 2008; (c) $20,227 for insurance premiums; (d) $1,089 for other personal benefits (including reimbursement of the use of a car and personal tax advisory expenses); and (e) $34,970 for reimbursement of Korean tax.

(19) Includes the following personal benefits paid to Mr. McFarland: (a) $21,334 for reimbursement of tuition expenses for Mr. McFarland's child; (b) $13,382 of reimbursement for the difference between the actual tax Mr. McFarland already paid and the hypothetical tax he had to pay for the fiscal year 2007; (c) $19,736 for insurance premiums paid; (d) $12,296 for other personal benefits (including reimbursement of the use of a car and personal tax advisory expenses); and (e) $13,042 for reimbursement of Korean tax and employee fringe benefits.

(20) Includes the following personal benefits paid to Mr. McFarland: (a) $35,837 for reimbursement of tuition expenses for Mr. McFarland's child; (b) $20,292 of reimbursement for the difference between the actual tax Mr. McFarland already paid and the hypothetical tax he had to pay for the fiscal year 2006; (c) $23,534 for insurance premiums; (d) $5,050 for other personal benefits (including reimbursement of the use of a car and personal tax advisory expenses); and (e) $12,621 for reimbursement of Korean tax, the employee contribution portion of the Korean national health insurance program and employee fringe benefits.

(21) Includes the following personal benefits paid to Mr. Krakauer: (a) $145,460 for Mr. Krakauer's housing expenses; (b) $24,329 for insurance premiums; and (c) $6,765 for other personal benefits (including reimbursement of the use of a car and living expenses).

(22) Includes the following personal benefits paid to Mr. Krakauer: (a) $225,940 for Mr. Krakauer's housing expenses; (b) $97,827 for reimbursement of living expenses; (c) $29,246 for reimbursement of tuition expenses for Mr. Krakauer's children; (d) $23,860 for Mr. Krakauer's home leave flights; (e) $22,842 for insurance premiums; (f) $22,404 for reimbursement of the use of two cars; (g) $49,789 for personal tax advisory expenses; (h) $248,302 of reimbursement for the difference between the actual tax Mr. Krakauer already paid and the hypothetical tax he had to pay for the fiscal year 2006, 2007 and 2008; (i) $29,604 for repatriation allowance paid to Mr. Krakauer; and (j) $70,422 for reimbursement of Korean tax and employee fringe benefits.

(23) Includes the following personal benefits paid to Mr. Krakauer: (a) $107,088 equivalent to seven months from Mr. Krakauer's old lease contract and $101,874 equivalent to five months from $697,547 for prepayment of his new lease contract for three years; (b) $30,643 for reimbursement of living expenses; (c) $71,683 for reimbursement of tuition expenses for Mr. Krakauer's children; (d) $20,242 for Mr. Krakauer's home leave flights; (e) $43,823 for insurance premiums; (f) $63,791 of reimbursement for all commission and closing costs for the sale of Mr. Krakauer's house in the United States; (g) $12,581 for personal tax advisory expenses; (h) $21,748 for reimbursement of the use of two cars; (i) $147,490 of reimbursement for the difference between the actual tax Mr. Krakauer already paid and the hypothetical tax he had to pay for the fiscal year 2006; and (j) $86,868 for reimbursement of Korean tax, the employee contribution portion of the Korean national health insurance program and employee fringe benefits.

Grants of Plan-Based Awards

The following table sets forth certain information with respect to stock and option awards and other plan-based awards granted during the year ended December 31, 2009 to our named executive officers:

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (#)(1)	All Other Option Awards: Number of Securities Underlying Options (#)(1)	Exercise or Base Price of Option Awards ($/sh)(2)	Grant Date Fair Value of Stock and Option Awards ($)(3)
Sang Park	12/08/2009	2,240,000			$1,769,600
	12/08/2009		2,240,000	1.16	$ 488,070
Tae Young Hwang,	12/08/2009	840,000			$ 663,600
	12/08/2009		1,400,000	1.16	$ 305,044
Brent Rowe	12/08/2009	560,000			$ 442,400
	12/08/2009		840,000	1.16	$ 183,026
Margaret Sakai	12/08/2009	336,000			$ 265,440
	12/08/2009		336,000	1.16	$ 73,211
John McFarland	12/08/2009	336,000			$ 265,440
	12/08/2009		224,000	1.16	$ 48,807

(1) The vesting schedule applicable to each award is set forth below in the section entitled “Outstanding Equity Awards at Fiscal Year End 2009.”

(2) Exceeds the per share fair market value of our common stock on the grant date ($0.79), as determined by our board of directors on such date based on various factors, including independent third party valuations of our common stock.

(3) Represents ASC 718 grant date fair value. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Accounting for Unit-based Compensation” for a description of how we valued our units as a private company.

Outstanding Equity Awards at Fiscal Year End 2009(1)

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable(2)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(3)	Market Value of Shares or Units of Stock That Have Not Vested ($)(4)
Sang Park	—	2,240,000	1.16	12/8/2019	1,478,400	1,167,936
Tae Young Hwang	—	1,400,000	1.16	12/8/2019	554,400	437,976
Brent Rowe	—	840,000	1.16	12/8/2019	369,600	291,984
Margaret Sakai	—	336,000	1.16	12/8/2019	221,760	175,190
John McFarland	—	224,000	1.16	12/8/2019	221,760	175,190

(1) All of our outstanding common and preferred units and outstanding options as of November 9, 2009 were terminated as of November 9, 2009 pursuant to our reorganization proceedings.

(2) An installment of 34% of the common units subject to the options will vest and become exercisable on December 8, 2010, an additional 9% of the options vest on the completion of the next period of three months, an additional 8% of the options vest upon the completion of each of

the next three-month periods, an additional 9% of the options vest upon the completion of the next quarter, and an additional 8% of the options vest upon the completion of each of the next three quarters.

(3) The restrictions on the units lapse on December 8, 2010 as to 33% of the total amount of restricted common units originally awarded and on December 8, 2011 as to 33% of the total amount of restricted common units originally awarded.

(4) During fiscal year 2009, there was no established public trading market for our outstanding common equity. The reported value represents the product of multiplying the number of unvested restricted units by the value of our units of $0.79 as of December 31, 2009, the last day of our fiscal year. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Accounting for Unit-based Compensation” for a description of how we valued our units while as a private company.

(5) Mr. Krakauer resigned as our President, Chief Financial Officer and director on April 10, 2009.

Option Exercises and Stock Vested at Fiscal Year End 2009(1)

Name	Number of Shares Acquired on Vesting (#)(2)	Value Realized on Vesting ($)(3)
Sang Park	761,600	601,664
Tae Young Hwang	285,600	225,624
Brent Rowe	190,400	150,416
John McFarland	114,240	90,250
Margaret Sakai	114,240	90,250

(1) All of our outstanding common and preferred units and outstanding options as of November 9, 2009 were terminated as of November 9, 2009 pursuant to our reorganization proceedings.

(2) The restrictions on the units lapsed on December 8, 2009 as to 34% of the total amount of restricted common units originally awarded.

(3) During fiscal year 2009, there was no established public trading market for our outstanding common equity. The reported value represents the product of multiplying the number of vested units by the value of our units of $0.79 as of the date of vesting.

MagnaChip Semiconductor LLC 2009 Common Unit Plan

All of our outstanding common and preferred units and options and related plans were terminated as of November 9, 2009 pursuant to our reorganization proceedings. Following our emergence from our reorganization proceedings, in December 2009, our board of directors adopted, and our equityholders approved, the MagnaChip Semiconductor LLC 2009 Common Unit Plan, which we refer to as the 2009 Plan. The 2009 Plan provides for the grant of nonstatutory options, restricted unit bonus and purchase right awards, and deferred unit awards to employees and consultants of the company and its subsidiaries and to members of our board of directors. However, only options and restricted unit bonus awards have been granted under the 2009 Plan. Subject to adjustment in the event of certain changes in capital structure, the maximum aggregate number of MagnaChip Semiconductor LLC common units that are available for grant under the 2009 Plan is 30,000,000. Units subject to awards that expire, are forfeited or otherwise terminate will again be available for grant under the 2009 Plan.

In connection with our corporate conversion, we will assume the rights and obligations of the company under the 2009 Plan and convert MagnaChip Semiconductor LLC common unit options and restricted common units outstanding under the 2009 Plan into options to acquire a number of shares

of our common stock and shares of restricted common stock at a ratio of on substantially equivalent terms and conditions. Following the corporate conversion, a total of shares of common stock will be reserved for issuance under the 2009 Plan. As of December 31, 2009, based upon the common units of the company outstanding as of December 31, 2009, and after giving effect to the corporate conversion pursuant to which each common unit will be automatically converted into shares of our common stock at a ratio of , there would have been outstanding under the 2009 Plan options to purchase shares of common stock, at a weighted average exercise price of $ per share. The 2009 Plan will terminate immediately following our corporate conversion, and no additional options or other equity awards may be granted under the 2009 Plan following its termination. However, options granted under the 2009 Plan prior to its termination will remain outstanding until they are either exercised or expire.

The 2009 Plan is administered by the Committee. Subject to the provisions of the 2009 Plan, the Committee determines in its discretion the persons to whom and the times at which awards are granted, the sizes of such awards, and all of their terms and conditions. All awards are evidenced by a written agreement between us and the holder of the award. The Committee has the authority to construe and interpret the terms of the 2009 Plan and awards granted under it.

In the event of a change in control of our company, the vesting of all outstanding awards held by participants whose employment has not previously terminated will accelerate in full. In addition, the Committee has the authority to require that outstanding awards be assumed or replaced with substantially equivalent awards by the successor corporation or to cancel the outstanding awards in exchange for a payment in cash or other property equal to the fair market value of restricted units or the excess, if any, of the fair market value of the shares subject to an option over the exercise price per share of such option.

2010 Equity Incentive Plan

Our 2010 Equity Incentive Plan, or the 2010 Plan, was approved by our board of directors in March 2010 and will be effective upon our corporate conversion, subject to its approval by our equityholders, which is expected prior to the completion of this offering.

A number of shares of our common stock equal to the total number of shares of common stock (as adjusted by the conversion ratio in the corporate conversion) remaining available for grant under the 2009 Plan upon its termination immediately following the corporate conversion will be initially authorized and reserved for issuance under the 2010 Plan. This reserve will automatically increase on January 1, 2011 and each subsequent anniversary through 2020, by an amount equal to the smaller of 2% of the number of shares of common stock issued and outstanding on the immediately preceding December 31 or an amount determined by our board of directors. The number of shares authorized for issuance under the 2010 Plan will also be increased from time to time by up to that number of shares of common stock (as adjusted by the conversion ratio in corporate conversion) remaining subject to options and restricted stock awards outstanding under the 2009 Plan at the time of its termination immediately following the corporate conversion that expire or terminate or are forfeited for any reason after the effective date of the 2010 Plan. Appropriate adjustments will be made in the number of authorized shares and other numerical limits in the 2010 Plan and in outstanding awards to prevent dilution or enlargement of participants' rights in the event of a stock split or other change in our capital structure. Shares subject to awards granted under our 2010 Plan which expire, are repurchased, or are cancelled or forfeited will again become available for issuance under the 2010 Plan. The shares available will not be reduced by awards settled in cash. Shares withheld to satisfy tax withholding obligations will not again become available for grant. The gross number of shares issued upon the exercise of stock appreciation rights or options exercised by means of a net exercise or by tender of previously owned shares will be deducted from the shares available under the 2010 Plan.

Awards may be granted under the 2010 Plan to our employees, including officers, directors, or consultants or those of any present or future parent or subsidiary corporation or other affiliated entity. While we may grant incentive stock options only to employees, we may grant nonstatutory stock options, stock appreciation rights, restricted stock purchase rights or bonuses, restricted stock units, performance shares, performance units and cash-based awards or other stock-based awards to any eligible participant.

The 2010 Plan is administered by the Committee. Subject to the provisions of the 2010 Plan, the Committee determines in its discretion the persons to whom and the times at which awards are granted, the sizes of such awards, and all of their terms and conditions. All awards are evidenced by a written agreement between us and the holder of the award. The Committee has the authority to construe and interpret the terms of the 2010 Plan and awards granted under it.

In the event of a change in control as described in the 2010 Plan, the acquiring or successor entity may assume or continue all or any awards outstanding under the 2010 Plan or substitute substantially equivalent awards. Any awards which are not assumed or continued in connection with a change in control or are not exercised or settled prior to the change in control will terminate effective as of the time of the change in control. The Committee may provide for the acceleration of vesting of any or all outstanding awards upon such terms and to such extent as it determines, except that the vesting of all awards held by members of our board of directors who are not employees will automatically be accelerated in full. The 2010 Plan also authorizes the Committee, in its discretion and without the consent of any participant, to cancel each or any outstanding award denominated in shares upon a change in control in exchange for a payment to the participant with respect to each share subject to the cancelled award of an amount equal to the excess of the consideration to be paid per share of common stock in the change in control transaction over the exercise price per share, if any, under the award.

2010 Employee Stock Purchase Plan

Our 2010 Employee Stock Purchase Plan, or the Purchase Plan, was approved by our board of directors in March 2010 and, subject to its approval by our equityholders, will become effective upon the commencement of this offering.

A number of shares of our common stock equal to 2% of the number of shares of common stock estimated to be outstanding immediately after completion of this offering, including the exercise of the underwriters' option to purchase additional shares will be initially authorized and reserved for sale under the Purchase Plan. In addition, the Purchase Plan provides for an automatic annual increase in the number of shares available for issuance under the plan on January 1 of each year beginning in 2011 and continuing through and including January 1, 2020 equal to the lesser of (i) 1% of our then issued and outstanding shares of common stock on the immediately preceding December 31, (ii) a number of shares of our common stock equal to 2% of the number of shares of common stock estimated to be outstanding immediately after completion of this offering, including the exercise of the underwriters' option to purchase additional shares or (c) a number of shares as our board may determine. Appropriate adjustments will be made in the number of authorized shares and in outstanding purchase rights to prevent dilution or enlargement of participants' rights in the event of a stock split or other change in our capital structure. Shares subject to purchase rights which expire or are canceled will again become available for issuance under the Purchase Plan.

Our employees and employees of any parent or subsidiary corporation designated by the Committee are eligible to participate in the Purchase Plan if they are customarily employed by us for more than 20 hours per week and more than five months in any calendar year. However, an employee may not be granted a right to purchase stock under the Purchase Plan if: (i) the employee immediately after such grant would own stock possessing 5% or more of the total combined voting power or value of all classes of our capital stock or of any parent or subsidiary corporation, or (ii) the

employee's rights to purchase stock under all of our employee stock purchase plans would accrue at a rate that exceeds $25,000 in value for each calendar year of participation in such plans.

The Purchase Plan is implemented through a series of sequential offering periods, generally three months in duration beginning on the first trading days of February, May, August, and November each year. However, the Committee may establish an offering period to commence on the effective date of the Purchase Plan that will end on a date, on or about July 31, 2010, determined by the Committee. The Committee is authorized to establish additional or alternative concurrent, sequential or overlapping offering periods and offering periods having a different duration or different starting or ending dates, provided that no offering period may have a duration exceeding 27 months.

Amounts accumulated for each participant, generally through payroll deductions, are credited toward the purchase of shares of our common stock at the end of each offering period at a price generally equal to 95% of the fair market value of our common stock on the purchase date. Prior to commencement of an offering period, the Committee is authorized to change the purchase price discount for that offering period, but the purchase price may not be less than 85% of the lower of the fair market value of our common stock at the beginning of the offering period or on the purchase date.

No participant may purchase under the Purchase Plan in any calendar year shares having a value of more than $25,000 measured by the fair market value per share of our common stock on the first day of the applicable offering period. Prior to the beginning of any offering period, the Committee may alter the maximum number of shares that may be purchased by any participant during the offering period or specify a maximum aggregate number of shares that may be purchased by all participants in the offering period. If insufficient shares remain available under the plan to permit all participants to purchase the number of shares to which they would otherwise be entitled, the Committee will make a pro rata allocation of the available shares. Any amounts withheld from participants' compensation in excess of the amounts used to purchase shares will be refunded, without interest.

In the event of a change in control, an acquiring or successor corporation may assume our rights and obligations under the Purchase Plan. If the acquiring or successor corporation does not assume such rights and obligations, then the purchase date of the offering periods then in progress will be accelerated to a date prior to the change in control as specified by the Committee, but the number of shares subject to outstanding purchase rights shall not be adjusted.

Agreements with Executives and Potential Payments Upon Termination or Change in Control

We are obligated to make certain payments to our named executive officers upon termination or a change in control as further described below.

Sang Park. We are party to an Amended and Restated Services Agreement, dated as of May 8, 2008, with Mr. Park pursuant to which he serves as our Chairman and Chief Executive Officer. Under the agreement, Mr. Park was to receive an initial base salary of $450,000 and a one-time performance bonus payment of $900,000. Mr. Park is also entitled to an annual incentive award of 100% of his annual salary based upon the achievement of performance goals, provided that the actual bonus paid may be higher or lower dependent on over- or under-achievement of his performance goals, as determined by the Committee. Mr. Park is entitled to customary employee benefits and certain expatriate, repatriation and international service benefits, including relocation benefits, tax equalization benefits, the cost of housing accommodations and expenses, transportation benefits and repatriation benefits. Pursuant to the agreement Mr. Park was granted options to purchase restricted common units but they were subsequently terminated in connection with our reorganization proceedings. The restated service agreement also contains customary non-competition and non-solicitation covenants lasting two and three years, respectively, from the date of termination of employment and confidentiality covenants of unlimited duration.

If Mr. Park's employment is terminated without Cause or if he resigns for good reason, Mr. Park is entitled to receive (i) payment of all salary and benefits accrued up to the date of termination, (ii) payment of his then-current base salary for twelve months, (iii) the annual incentive award to which Mr. Park would have been entitled for the year in which his employment terminates, (iv) twelve months' accelerated vesting on outstanding equity awards and a twelve-month post-termination equity award exercise period, and (v) continued participation for Mr. Park and his eligible dependents in our benefit plans for twelve months, including certain international service benefits.

If such termination occurs within nine months of a change in control, Mr. Park is entitled to receive (i) payment of all salary and benefits accrued and unpaid up to the date of termination, (ii) payment of his then-current base salary for twenty-four months, (iii) the annual incentive award to which Mr. Park would have been entitled for the year in which his employment terminates, (iv) two years' accelerated vesting on outstanding equity awards, other than awards granted pursuant to the 2009 Plan, which accelerate in full, (v) a twelve-month post-termination equity award exercise period, and (vi) continued participation for Mr. Park and his eligible dependents in our benefit plans for two years, including certain international service benefits.

The severance described above payable to Mr. Park upon his termination without Cause or in connection with a change in control shall be reduced to the extent that we pay any statutory severance payments to Mr. Park pursuant to the Korean Commercial Code or any other statute.

As used in the agreement, the term "Cause" means the termination of Mr. Park's employment because of (i) a failure by Mr. Park to substantially perform his customary duties (other than such failure resulting from incapacity due to physical or mental illness); (ii) Mr. Park's gross negligence, intentional misconduct or material fraud in the performance of Mr. Park's employment; (iii) Mr. Park's conviction of, or plea of nolo contendre to, a felony or to a crime involving fraud or dishonesty; (iv) a judicial determination that Mr. Park committed fraud or dishonesty against any natural person, firm, partnership, limited liability company, association, corporation, company, trust, business trust, governmental authority or other entity; or (v) Mr. Park's material violation of the agreement or of one or more of the material policies applicable to his employment. Resignation for "good reason" means a resignation upon any of the following events that remains uncured for 30 days after Mr. Park delivers a demand to us: (i) a salary reduction other than a reduction of less than 10% applied to our other officers, (ii) material reduction in benefits, (iii) failure to provide housing, (iv) nature or status of Mr. Park's authorities, duties or responsibilities are materially and adversely altered, (v) removal from our board of directors without cause, or (vi) Mr. Park is not reappointed as Chief Executive Officer following our initial public offering.

In the event we terminate Mr. Park's employment due to Disability, Mr. Park shall be entitled to (i) payment of his Salary and accrued vacation up to and including the date of termination, (ii) payment of any unpaid expense reimbursements, (iii) the prorated amount of any cash incentive to which Mr. Park would have been entitled, and (iv) other benefits due to Mr. Park through his termination date. As used in the agreement, the term "Disability" means that the we determine that due to physical or mental illness or incapacity, whether total or partial, Mr. Park is substantially unable to perform his duties for a period of 180 consecutive days or shorter periods aggregating 180 days during any period of 365 consecutive days.

In the event of Mr. Park's death while employed by us, Mr. Park's estate or named beneficiary shall be entitled to (i) payment of Mr. Park's salary and accrued vacation up to and including the date of termination, (ii) payment of any unpaid expense reimbursements, (iii) the prorated amount of any cash incentive to which Mr. Park would have been entitled, and (iv) other benefits due to Mr. Park through his termination date.

Tae Young Hwang. We entered into an Entrustment Agreement with Mr. Hwang, effective as of October 1, 2004, under which he serves as our Chief Operating Officer and President, with an initial base salary of 220 million Korean won per year and with a target annual incentive bonus to be determined by management based on performance. Mr. Hwang is entitled to customary employee

benefits and expatriate benefits. The agreement also contains customary non-competition covenants lasting one year from the date of termination of employment and confidentiality covenants of unlimited duration.

If Mr. Hwang's employment is terminated for any reason, he is entitled to statutory severance payments pursuant to the Korean Commercial Code.

Brent Rowe. We entered into an Offer Letter with Mr. Rowe, dated as of March 7, 2006, pursuant to which Mr. Rowe serves as our Senior Vice President, Worldwide Sales, with an initial base salary of $220,000 per year, a sign on bonus of $50,000 and with a target annual incentive bonus opportunity of 80% of his base salary. Mr. Rowe is entitled to customary employee benefits. Pursuant to the Offer Letter, Mr. Rowe received an initial grant of options to purchase our common units, but the grant was subsequently terminated in connection with our reorganization proceedings.

If Mr. Rowe's employment is terminated without cause, he is entitled to a severance payment equal to six months' salary.

Margaret Sakai. We entered into an Offer Letter with Ms. Sakai, dated as of September 5, 2006, pursuant to which Ms. Sakai served as our Senior Vice President, Finance, with an initial base salary of $250,000 per year and with a target annual incentive bonus opportunity of 50% of her base salary. Ms. Sakai's title was changed to Senior Vice President and Chief Financial officer in 2009. Ms. Sakai is entitled to customary employee benefits and expatriate benefits. Pursuant to her Offer Letter, Ms. Sakai received an initial grant of options to purchase our common units, but the grant was subsequently terminated in connection with our reorganization proceedings.

If Ms. Sakai's employment is terminated by us without cause, Ms. Sakai is entitled to receive payment of all salary and benefits accrued and unpaid up to the date of termination, continued payment of her salary for six months at the rate in effect on the date of termination, payment of a prorated portion of the annual incentive bonus for the year in which termination occurs and paid benefits for Ms. Sakai and her dependents for six months. The severance payable to Ms. Sakai under her Offer Letter will be reduced to the extent we make any statutory severance payments to Ms. Sakai pursuant to the Korean Commercial Code or any other statute.

John McFarland. We are party to a Service Agreement, dated as of April 1, 2006, with Mr. McFarland pursuant to which he serves as our Senior Vice President, General Counsel and Secretary. Under the agreement, Mr. McFarland was eligible to receive an initial base salary of 175 million Korean won per year, with a target annual incentive bonus opportunity of 50% of his base salary. Mr. McFarland is entitled to customary employee benefits and certain expatriate, repatriation and international service benefits. Mr. McFarland received an initial grant of options to purchase our common units, but the grant was subsequently terminated in connection with our reorganization proceedings. The agreement also contains customary non-competition and non-solicitation covenants lasting one and two years, respectively, from the date of termination of employment and confidentiality covenants of unlimited duration.

Pursuant to the agreement, if Mr. McFarland's employment is terminated for any reason other than Disability, death or Cause, he shall be entitled to (i) payment of all salary and benefits accrued up to the date of termination, (ii) a severance payment, consisting of the continuation of his then current salary for a period of six months, (iii) six months of paid benefits for Mr. McFarland and his eligible dependents and (iv) the prorated amount of any cash incentive to which Mr. McFarland would have been entitled. The severance payable to Mr. McFarland under his agreement will be reduced to the extent we make any statutory severance payments to Mr. McFarland pursuant to the Korean Commercial Code or any other statute.

In the event we terminate Mr. McFarland's employment due to Disability, Mr. McFarland shall be entitled to (i) payment of his then current salary up to and including the date of termination, (ii) the dollar value of all accrued and unused vacation benefits based upon Mr. McFarland's most recent level of salary, (iii) any cash incentive amount actually earned but not previously paid to

Mr. McFarland, (iv) payment of any unpaid expense reimbursements, and (v) the prorated amount of any cash incentive to which Mr. McFarland would have been entitled. As used in the agreement, the term "Disability" means that we reasonably determine that due to physical or mental illness or incapacity, whether total or partial, Mr. McFarland is substantially unable to perform his duties for a period of 180 consecutive days or shorter periods aggregating 180 days during any period of 365 consecutive days.

In the event of Mr. McFarland's death while employed by us, Mr. McFarland's estate or named beneficiary shall be entitled to (i) payment of Mr. McFarland's then current salary up to and including the date of termination, (ii) the dollar value of all accrued and unused vacation benefits based upon Mr. McFarland's then current salary, (iii) any cash incentive amount actually earned but not previously paid to Mr. McFarland, (iv) payment of any unpaid expense reimbursements, and (v) the prorated amount of any cash incentive to which Mr. McFarland would have been entitled.

If Mr. McFarland's employment is terminated for Cause, he will be entitled to receive payment of all salary and benefits and unreimbursed expenses accrued up to the date of termination and will not be entitled to any other compensation. As used in the agreement, the term "Cause" has substantially the same definition as that in Mr. Park's agreement.

Robert J. Krakauer. Until April 10, 2009, Robert J. Krakauer served as our President, Chief Financial Officer and director. In April 2009, we entered into a Senior Advisor Agreement with Mr. Krakauer. Under this agreement, Mr. Krakauer resigned from employment and as a director with us but remains available to consult with us on a limited capacity until April 10, 2010. Pursuant to the Senior Advisor Agreement, Mr. Krakauer is entitled to payments in the aggregate amount of $375,000, payable over a one-year period, plus the re-payment of amounts of reduced salary for the first three months of 2009, in addition to the continuation of certain benefits and perquisites, including health insurance benefits, and the continuation of auto lease payments for a certain number of months. In addition, we waived any right we had to repurchase any restricted units held by Mr. Krakauer at the time of his resignation. All common units held by Mr. Krakauer were terminated in connection with our reorganization proceedings.

Potential Payments upon Termination or Change in Control.

Change in Control. In the event of a change in control of our company, the vesting of all outstanding awards issued under the 2009 Plan held by participants whose employment has not previously terminated will accelerate in full. In addition, the Committee has the authority to require that outstanding awards be assumed or replaced with substantially equivalent awards by the successor corporation or to cancel the outstanding awards in exchange for a payment in cash or other property equal to the fair market value of restricted units or the excess, if any, of the fair market value of the shares subject to an option over the exercise price per share of such option.

Our named executive officers are eligible to receive certain payments and benefits in connection with certain events pursuant to the terms of our employment agreements with them. The terms "cause," "change in control" and "resignation for good reason" used below have the meanings given to them in the applicable agreements with us.

The following table presents our estimate of the dollar value of the payments and benefits payable to our named executive officers upon the occurrence of the following events, assuming that each such event occurred on December 31, 2009. The disclosure in the following table does not include:

- any accrued benefits that were earned and payable as of December 31, 2009, including any short-term cash incentive amounts earned by, or any discretionary bonus amounts payable to, the executive officer for 2009 performance; or
- payments and benefits to the extent they are provided generally to all salaried employees and do not discriminate in scope, terms or operation in favor of the named executive officers.

Name	Event	Cash Severance Payment ($)(1)	Continuation of Benefits ($)(2)	Value of Equity Award Acceleration ($)(3)	Total ($)
Sang Park	(a)(4)	450,000	314,785(5)	583,968	1,348,753
	(b)(4)	900,000	629,570(6)	1,167,936	2,697,506
	(c)	—	—	1,167,936	1,167,936
Tae Young Hwang	(c)	—	—	437,976	437,976
Brent Rowe	(a)	110,000	—	—	110,000
	(c)	—	—	291,984	291,984
Margaret Sakai	(a)	130,000	81,834(7)	—	211,834
	(c)	—	—	175,190	175,190
John McFarland	(a)	94,210	49,808(8)	—	144,018
	(c)	—	—	175,190	175,190

(a) Termination without cause in absence of change in control

(b) Termination without cause within 9 months following a change in control

(c) Change in control

(1) Represents cash severance payments payable to our named executive officers pursuant to our employment agreements with them, prior to giving effect to the terms thereof relating to the Employee Retirement Benefit Security Act of Korea. Other than Mr. Rowe, who is entitled to a lump sum cash severance payment, cash severance payments are paid monthly in accordance with our regular payroll procedures.

Pursuant to the Employee Retirement Benefit Security Act, Mr. Hwang, Ms. Sakai and Mr. McFarland are entitled to certain statutory severance benefits from us upon the termination of their employment with us for any reason. See “Management — Compensation Discussion and Analysis — Perquisites and Other Benefits” for additional information. For these executives, the amounts reflected in this column would be reduced to the extent we are obligated to make these statutory severance payments.

(2) Calculated assuming the continuation of benefits for the applicable period at the same dollar value of 2009 benefits.

(3) Reflects the aggregate value of the accelerated vesting of the named executive officer’s unvested stock options and restricted common units, as applicable.

Because all of our options to purchase common units outstanding as of December 31, 2009 have an exercise price greater than the fair market value of our common units of $0.79 as of December 31, 2009, no additional value is represented by the acceleration of outstanding unvested common units subject to such awards and therefore, the value of accelerated vesting of unvested stock options is $0.00.

Because all of our restricted common units issued under the 2009 Plan outstanding as of December 31, 2009 were issued without any required monetary payment, the amounts were calculated by multiplying (i) the number of outstanding restricted common units subject to award vesting on December 31, 2009 by (ii) the fair market value of our common units of $0.79 as of December 31, 2009.

(4) Reflected benefits are also payable in connection with Mr. Park’s resignation for good reason. See “Management — Agreements with Executives and Potential Payments Upon Termination or Change in Control — Sang Park.”

(5) Represents the aggregate value of the continuation of health insurance benefits for Mr. Park and his eligible dependents for twelve months following the date of termination. Mr. Park is also entitled to tax equalization benefits, tax preparation services, the reimbursement of costs associated with one home leave flight and, for a period of twelve months post-termination, international health insurance benefits, paid housing and the use of a car and a driver.

(6) Represents the aggregate value of the continuation of health insurance benefits for Mr. Park and his eligible dependents for twenty-four months following the date of termination. Mr. Park is also entitled to tax equalization benefits, tax preparation services, the reimbursement of costs associated with two home leave flights and, for a period of twenty-four months post-termination, international health insurance benefits, paid housing and the use of a car and a driver.

(7) Represents the aggregate value of the continuation of health insurance benefits for Ms. Sakai and her eligible dependents for six months following the date of termination. Ms. Sakai is also entitled to tax equalization benefits, tax preparation services, reimbursement of costs associated with one home leave flight and, for a period of six months post-termination, paid housing, the use of a car and a driver and child tuition benefits.

(8) Represents the aggregate value of continuation of health insurance benefits for Mr. McFarland and his eligible dependents for six months following the date of termination. Mr. McFarland is also entitled to tax equalization, tax preparation services and, for a period of six months post-termination, child tuition benefits.

Pension Benefits for the Fiscal Year Ended December 31, 2009

Name	Plan Name	Number of Years of Credited Service (#)	Present Value of Accumulated Benefit ($)(1)	Payments During the Last Fiscal Year
Tae Young Hwang	Statutory Severance with Multiplier for Partial Period	14	686,058	
Margaret Sakai	Statutory Severance	3	68,155	
John McFarland	Statutory Severance	5	81,129	

Footnote:

(1) Actual present value of the accumulated benefit, as if the employment of the named executive officer had been terminated on the last day of our fiscal year ended December 31, 2009.

Nonqualified Deferred Compensation

We do not maintain any nonqualified deferred compensation plans.

Director Compensation for the Fiscal Year Ended December 31, 2009

Name	Fees Earned or Paid in Cash ($)	Option Awards ($)(1)	All Other Compensation ($)	Total ($)
Jerry M. Baker(2)(3)	50,000	—	25,751(4)	75,751
Armando Geday(2)(3)	50,000	—	—	50,000
Michael Elkins(5)	—	—	—	—
Randal Klein(5)	—	—	—	—
Steven Tan(5)	—	—	—	—
Nader Tavakoli(5)	—	—	—	—

Note: Amounts set forth in the above table that were originally paid in Korean won have been converted into U.S. dollars at the exchange rate as of each payment date during the two-month period ended December 31, 2009 and the ten-month period ended October 25, 2009.

Footnotes:

(1) All of our common and preferred units and outstanding options, including grants made to our directors outstanding prior to the effective date of our Chapter 11 reorganization of November 9, 2009, were terminated as of such date pursuant to our reorganization proceedings.

(2) Resigned as a director effective November 9, 2009.

(3) Consists of annual retainer of $50,000 paid to non-employee directors prior to our reorganization proceedings.

(4) Represents payments for insurance premiums.

(5) Each of our non-employee directors appointed to our board of directors subsequent to the effective date of our Chapter 11 reorganization did not receive any compensation in 2009.

Further Information Regarding Director Compensation Table

Each of our non-employee directors is entitled to receive an annual fee of $50,000. In addition, the chairman of our audit committee is entitled to an additional fee of $5,000. We expect to issue each non-employee director an option to purchase 200,000 common units of MagnaChip Semiconductor LLC, which, after giving effect to the corporate conversion, will be automatically converted into shares of our common stock, and which shall vest on the same terms as option grants to our other grantees.

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee will be appointed prior to the completion of this offering. We do not anticipate that any of the members of the Compensation Committee will have been an officer or employee of our company during the last fiscal year. During 2009, decisions regarding executive officer compensation were made by our full board of directors. Mr. Sang Park, Chairman of our board of directors and our Chief Executive Officer, participated in deliberations of our board of directors regarding the determination of compensation of our executive officers other than himself. None of our executive officers currently serves, or in the past has served, as a member of the board of directors or the compensation committee of any entity that has one or more executive officers serving on our board of directors.

PRINCIPAL AND SELLING STOCKHOLDERS

Selling Stockholders

The following table and accompanying footnotes set forth information regarding the beneficial ownership of our common stock by each of the following selling stockholders based on the outstanding common units of MagnaChip Semiconductor LLC as of December 31, 2009 as adjusted to reflect the corporate conversion.

As of December 31, 2009, MagnaChip Semiconductor LLC's outstanding securities consisted of 307,083,996 common units, options to purchase 15,365,000 common units and warrants to purchase 15,000,000 common units and, after giving effect to the corporate conversion, we would have had outstanding shares of common stock, options to purchase shares of common stock and warrants to purchase shares of common stock.

The amounts and percentages of common stock beneficially owned are reported on the basis of SEC regulations governing the determination of beneficial ownership of securities. Under SEC rules, a person is deemed to be a "beneficial owner" of a security if that person has or shares "voting power," which includes the power to vote or to direct the voting of such security, or "investment power," which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has the right to acquire beneficial ownership within 60 days. Under these rules, more than one person may be deemed to be a beneficial owner of the same securities and a person may be deemed to be a beneficial owner of securities as to which he or she has no economic interest.

Except as indicated by footnote, the persons named in the table below have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. Unless otherwise indicated, the address of each person listed in the table below is c/o MagnaChip Semiconductor Ltd., 1 Hyang jeong-dong, Hungduk-gu, Cheongju-si, 361-725, Korea.

Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned Prior to Offering(1)		Shares of Common Stock Being Offered	Shares of Common Stock Subject to Underwriters' Option	Shares of Common Stock Beneficially Owned Following Offering Assuming No Exercise of Underwriters' Option(1)		Shares of Common Stock Beneficially Owned Following Offering Assuming Exercise of Underwriters' Option in Full(1)	
	Amount	Percent			Amount	Percent	Amount	Percent
Selling Stockholders								

* Less than one percent.

(1) Includes any outstanding shares of common stock held and, to the extent applicable, shares issuable upon the exercise or conversion of any securities that are exercisable or convertible within 60 days of , 2010.

Each of the selling stockholders acquired the shares of common stock to be sold by such stockholders in this offering pursuant to the conversion of common units of MagnaChip Semiconductor LLC into common shares of MagnaChip Semiconductor Corporation pursuant to the corporate conversion, which will occur immediately prior to the closing of this offering. Such selling stockholders acquired such common units of MagnaChip Semiconductor LLC pursuant to our reorganization proceedings on November 9, 2009.

Principal Unitholders of MagnaChip Semiconductor LLC

The following table sets forth information regarding the beneficial ownership of the outstanding equity interests of MagnaChip Semiconductor LLC as of December 31, 2009 by: (1) each person or entity known to us to beneficially own more than 5% of any class of our outstanding securities; (2) each member of our board of directors; (3) each of our named executive officers; and (4) all of the members of our board of directors and executive officers, as a group. As of December 31, 2009, MagnaChip Semiconductor LLC's outstanding securities consisted of 307,083,996 common units, options to purchase 15,365,000 common units and warrants to purchase 15,000,000 common units.

The amounts and percentages of equity interests beneficially owned are reported on the basis of SEC regulations governing the determination of beneficial ownership of securities. Under SEC rules, a person is deemed to be a "beneficial owner" of a security if that person has or shares "voting power," which includes the power to vote or to direct the voting of such security, or "investment power," which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has the right to acquire beneficial ownership within 60 days. Under these rules, more than one person may be deemed to be a beneficial owner of the same securities and a person may be deemed to be a beneficial owner of securities as to which he or she has no economic interest.

Except as indicated by footnote, the persons named in the table below have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. Unless otherwise indicated, the address of each person listed in the table below is c/o MagnaChip Semiconductor Ltd., 1 Hyang jeong-dong, Hungduk-gu, Cheongju-si, 361-725, Korea.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percent of Class(1)
Principal Unitholders		
Funds managed by Avenue Capital Management II, L.P(2)	218,927,386	70.3%
Funds and accounts managed by Southpaw Asset Management LP(3)	23,555,229	7.7%
Tennenbaum Multi-Strategy Fund SPV (Cayman) Ltd.(4)	20,710,045	6.7%
Directors and Executive Officers		
Sang Park(5)	2,240,000	*
Tae Young Hwang(6)	840,000	*
Brent Rowe(7)	560,000	*
Margaret Sakai(8)	336,000	*
John McFarland(9)	336,000	*
Michael Elkins(10)	—	*
Randal Klein(10)	—	*
Steven Tan(10)	—	*
Nader Tavakoli	—	*
R. Douglas Norby	—	*
Gidu Shroff	—	*
Robert Krakauer(11)	—	*
Directors and executive officers as a group (13 persons)(12)	4,760,000	1.6%

* Less than one percent.

(1) Includes any outstanding common units held and, to the extent applicable, shares issuable upon the exercise or conversion of any securities that are exercisable or convertible within 60 days of December 31, 2009.

(2) The following entities and person are collectively referred to in this table as the “Avenue Capital Group”: (i) Avenue Investments, L.P. (“Avenue Investments”), (ii) Avenue International Master, L.P. (“Avenue International Master”), (iii) Avenue International, Ltd. (“Avenue International”), the sole limited partner of Avenue International Master, (iv) Avenue International Master GenPar, Ltd. (“Avenue International GenPar”), the general partner of Avenue International Master, (v) Avenue Partners, LLC (“Avenue Partners”), the general partner of Avenue Investments and the sole shareholder of Avenue International GenPar, (vi) Avenue-CDP Global Opportunities Fund, L.P. (“CDP Global”), (vii) Avenue Global Opportunities Fund GenPar, LLC (“CDP Global GenPar”), the general partner of CDP Global, (viii) Avenue Special Situations Fund IV, L.P. (“Avenue Fund IV”), (ix) Avenue Capital Partners IV, LLC (“Avenue Capital IV”), the general partner of Avenue Fund IV, (x) GL Partners IV, LLC (“GL IV”), the managing member of Avenue Capital IV, (xi) Avenue Special Situations Fund V, L.P. (“Avenue Fund V”), (xii) Avenue Capital Partners V, LLC (“Avenue Capital V”), the general partner of Avenue Fund V, (xiii) GL Partners V, LLC (“GL V”), the managing member of Avenue Capital V, (xiv) Avenue Capital Management II, L.P. (“Avenue Capital II”), the investment advisor to Avenue Investments, Avenue International Master, CDP Global, Avenue Fund IV and Avenue Fund V (collectively, the “Avenue Funds”), (xv) Avenue Capital Management II GenPar, LLC (“GenPar”), the general partner of Avenue Capital II, and (xvi) Marc Lasry, the managing member of GenPar, GL V, GL IV, CDP Global GenPar and Avenue Partners and a director of Avenue International GenPar.

The Avenue Capital Group beneficially owns 218,927,386 common units, including the 4,447,680 common units the Avenue Capital Group may receive through the exercise of outstanding warrants.

The Avenue Funds have the sole power to vote and dispose of the common units held by them. Avenue International, Avenue International GenPar, Avenue Partners, CDP Global GenPar, Avenue Capital IV, GL IV, Avenue Capital V, GL V, Avenue Capital II, GenPar and Marc Lasry have the shared power to vote and dispose of the common units held by the Avenue Funds, all of whom disclaim any beneficial ownership except to the extent of their respective pecuniary interest. The address for all of the Avenue Funds is 535 Madison Avenue, New York, NY 10022.

Avenue Fund V beneficially owns 88,938,119 common units, or 28.8%, which represents 86,756,399 common units and 2,181,720 common units issuable upon the exercise of warrants held by Avenue Fund V. The securities owned by Avenue Fund V may also be deemed to be beneficially owned by Avenue Capital V, its general partner; GL V, the managing member of Avenue Capital V; Avenue Capital II, its investment adviser; GenPar, the general partner of Avenue Capital II; and Mr. Lasry, the managing member of GenPar and GL V; all of whom disclaim any beneficial ownership except to the extent of their respective pecuniary interest. For further information regarding Avenue Fund V, please see above.

Avenue Fund IV beneficially owns 70,458,255 common units, or 22.8%, which represents 69,186,975 common units and 1,271,280 common units issuable upon the exercise of warrants held by Avenue Fund IV. The securities owned by Avenue Fund IV may also be deemed to be beneficially owned by Avenue Capital IV, its general partner; GL IV, the managing member of Avenue Capital IV; Avenue Capital II, its investment adviser; GenPar, the general partner of Avenue Capital II; and Mr. Lasry, the managing member of GenPar and GL IV; all of whom disclaim any beneficial ownership except to the extent of their respective pecuniary interest. For further information regarding Avenue Fund IV, please see above.

Avenue International Master beneficially owns 35,568,286 common units, or 11.6%, which represents 35,004,706 common units and 563,580 common units issuable upon the exercise of warrants held by Avenue International Master. The securities owned by Avenue International Master may also be deemed to be beneficially owned by Avenue International, its sole limited partner; Avenue International GenPar, its general partner; Avenue Partners, the sole shareholder of Avenue International GenPar; Avenue Capital II, its investment adviser; GenPar, the general partner of Avenue Capital II; and Mr. Lasry, the managing member of GenPar and Avenue Partners and a director of Avenue International GenPar; all of whom disclaim any beneficial

ownership except to the extent of their respective pecuniary interest. For further information regarding Avenue International Master, please see above.

CDP Global beneficially owns 12,104,679 common units, or 3.9%, which represents 11,862,159 common units and 242,520 common units issuable upon the exercise of warrants held by CDP Global. The securities owned by CDP Global may also be deemed to be beneficially owned by CDP Global GenPar, its general partner; Avenue Capital II, its investment adviser; GenPar, the general partner of Avenue Capital II; and Mr. Lasry, the managing member of GenPar and CDP Global GenPar; all of whom disclaim any beneficial ownership except to the extent of their respective pecuniary interest. For further information regarding CDP Global, please see above.

Avenue Investments beneficially owns 11,858,047 common units, or 3.9%, which represents 11,669,467 common units and 188,580 common units issuable upon the exercise of warrants held by Avenue Investments. The securities owned by Avenue Investments may also be deemed to be beneficially owned by Avenue Partners, its general partner; Avenue Capital II, its investment adviser; GenPar, the general partner of Avenue Capital II; and Mr. Lasry, the managing member of GenPar and Avenue Partners; all of whom disclaim any beneficial ownership except to the extent of their respective pecuniary interest. For further information regarding Avenue Investments, please see above.

(3) Represents 23,555,229 common units that may be deemed to be beneficially owned by Southpaw Asset Management LP ("Southpaw Management") as it serves as the discretionary investment manager for several funds and accounts (the "Managed Accounts"). The common units deemed beneficially owned by Southpaw Management may be deemed beneficially owned by Southpaw Holdings LLC ("Southpaw Holdings"), which is the general partner of Southpaw Management, and by each of Kevin Wyman and Howard Golden, who are principals of Southpaw Holdings.

Southpaw Credit Opportunity Master Fund, L.P ("Southpaw Master Fund") beneficially owns 22,885,269 common units. The securities owned by Southpaw Master Fund may also be deemed beneficially owned by Southpaw Management, in its capacity as the investment manager of Southpaw Master Fund, and Southpaw GP LLC ("Southpaw GP"), in its capacity as general partner of Southpaw Master Fund. The shares deemed beneficially owned by Southpaw Management may also be deemed beneficially owned by Southpaw Holdings, which is the general partner of Southpaw Management, and by each of Kevin Wyman and Howard Golden, who are principals of Southpaw Holdings and Southpaw GP.

The business address of each of Southpaw Master Fund, Southpaw Management, Southpaw GP, Southpaw Holdings, and Messrs. Wyman and Golden is 2 Greenwich Office Park, 1st floor, Greenwich, CT 06831. For the avoidance of doubt, none of Southpaw Management, Southpaw GP, Southpaw Holdings, or Messrs. Wyman and Golden hold common units for their personal accounts, and each reports beneficial ownership of common units held by Southpaw Master Fund and the Managed Accounts due solely to the fact that such persons have the ability to vote and/or dispose of the common units held by Southpaw Master Fund and the Managed Accounts.

(4) Represents 20,710,045 common units held by Tennenbaum Multi-Strategy Fund SPV (Cayman) Ltd. ("Tennenbaum Cayman SPV"). Tennenbaum Capital Partners, LLC is the investment manager of Tennenbaum Cayman SPV, and may be deemed to be the beneficial owner of the common units held by such principal unitholders. Tennenbaum Capital Partners, LLC, however, disclaims beneficial ownership of these common units, except to the extent of its pecuniary interest therein. The address for Tennenbaum Cayman SPV is 2951 28th Street, Suite 1000, Santa Monica, CA 90405.

(5) Represents 2,240,000 common units, of which 1,478,400 are subject to a right of repurchase by MagnaChip.

(6) Represents 840,000 common units, of which 554,400 are subject to a right of repurchase by MagnaChip.

(7) Represents 560,000 common units, of which 369,600 are subject to a right of repurchase by MagnaChip.
(8) Represents 336,000 common units, of which 221,760 are subject to a right of repurchase by MagnaChip.
(9) Represents 336,000 common units, of which 221,760 are subject to a right of repurchase by MagnaChip.
(10) The address for Messrs. Elkins, Klein and Tan is 535 Madison Avenue, New York, NY 10022.
(11) Mr. Krakauer resigned as our President, Chief Financial Officer and director on April 10, 2009.
(12) Represents 4,760,000 common units, of which 3,141,600 are subject to a right of repurchase by MagnaChip.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Code of Business Conduct and Ethics

Under our Code of Business Conduct and Ethics, all conflicts of interest and related party transactions that are determined to be material by the Chief Financial Officer must be reviewed and approved in writing by our audit committee. All conflicts of interest and related party transactions involving our directors or executive officers must be reviewed and approved in writing by our full board of directors. In the approval process, the approving authority will review all aspects of the conflict of interest or related party transaction, including but not limited to: (i) compliance with laws, rules and regulations, (ii) the adverse affect on our business and results of operations, (iii) the adverse affect on our relationships with third parties such as customers, vendors and potential investors, (iv) the benefit to the director, officer or employee at issue, and (v) the creation of morale problems among other employees.

Senior Secured Facility

Avenue Investments, L.P. (one of the Funds affiliated with Avenue Capital Management II, L.P., which is, together with other affiliates, our majority stockholder, and an affiliate of our directors Messrs. Elkins, Klein and Tan) is a lender under our senior secured credit facility. On November 6, 2009, in connection with the reorganization proceedings, our senior secured credit agreement was amended and restated to, among other things, reduce the outstanding principal amount from $95 million to $61.8 million, pursuant to which we repaid $33.2 million in principal, $22.7 million of which was paid to Avenue Investments, L.P. As of December 31, 2009, the outstanding indebtedness under our senior secured credit facility was $61.8 million, of which $42.1 million is held by Avenue Investments, L.P. As of December 31, 2009, the interest rate for all borrowings under the senior secured credit facility was 6 month LIBOR plus 12% per annum and we accrued $1.2 million in interest under the senior secured credit facility for the year ended December 31, 2009, of which $0.8 million was accrued for Avenue Investments, L.P. Other Funds affiliated with Avenue Capital Management II, L.P. participate in the loan from Avenue Investments, L.P. under our senior secured credit agreement pursuant to a master participation agreement. See “Description of Certain Indebtedness” for additional information.

Registration Rights Agreement

On November 9, 2009, we entered into a registration rights agreement with the holders of MagnaChip Semiconductor LLC’s common units issued in our reorganization proceedings, including Avenue, where we granted them registration rights with respect to our common stock. See “Description of Capital Stock — Registration Rights.”

Warrant Agreement

On November 9, 2009, we entered into a warrant agreement with American Stock Transfer & Trust Company, LLC whereby we issued warrants to purchase an aggregate of 15,000,000 common units pursuant to the reorganization proceedings to certain former creditors, which included Avenue.

DESCRIPTION OF CAPITAL STOCK

The following description of our capital stock and provisions of our certificate of incorporation and our bylaws are summaries and are qualified by reference to the certificate of incorporation and the bylaws that will be in effect upon the closing of this offering. We have filed copies of these documents with the SEC as exhibits to our registration statement of which this prospectus forms a part. The descriptions of the common stock and preferred stock reflect changes to our capital structure that will occur immediately prior to and upon the closing of this offering.

Upon the closing of this offering, our authorized capital stock will consist of shares of common stock, par value $0.01 per share, and shares of undesignated preferred stock, par value $0.01 per share, the rights and preferences of which may be established from time to time by our board of directors.

As of December 31, 2009, MagnaChip Semiconductor LLC had issued and outstanding 307,083,996 common units held by 133 holders of record. As of December 31, 2009, MagnaChip Semiconductor LLC also had outstanding options to purchase 15,365,000 common units at a weighted average exercise price of $1.16 per unit and warrants to purchase 15,000,000 common units at an exercise price of $1.97 per unit.

Prior to the closing of this offering, we will consummate the corporate conversion. As part of the corporate conversion:

- all of the outstanding common units of MagnaChip Semiconductor LLC will be automatically converted into shares of our common stock at a ratio of ;
- each outstanding option to purchase common units of MagnaChip Semiconductor LLC will be automatically converted into an option to purchase shares of our common stock at an exercise price of $ per share; and
- each outstanding warrant to purchase common units of MagnaChip Semiconductor LLC will be automatically converted into a warrant to purchase shares of our common stock at an exercise price of $ per share.

The following description summarizes the terms of our capital stock. Because it is only a summary, it does not contain all the information that may be important to you. For a complete description, you should refer to our certificate of incorporation and bylaws, as in effect immediately following the closing of this offering, copies of which have been filed as exhibits to the registration statement of which this prospectus is a part.

Common Stock

Assuming the automatic conversion of all of the common units of MagnaChip Semiconductor LLC for our common stock immediately prior to the closing of this offering, there will be shares of our common stock outstanding upon the closing of this offering. MagnaChip Semiconductor LLC has reserved an aggregate of 30,000,000 common units for issuance to current and future directors, employees and consultants of MagnaChip Semiconductor LLC and its subsidiaries pursuant to the MagnaChip Semiconductor LLC 2009 Common Unit Plan. Of this amount, at December 31, 2009, 15,365,000 common units were subject to outstanding options, 7,551,000 were available for future issuance and no common units have been purchased in connection with the exercise of previously issued options. In connection with the corporate conversion, the existing options will be automatically converted into options to acquire shares of our common stock and we have reserved shares of our common stock for future issuance. In addition, our board of directors may issue options exercisable for up to shares of our common stock under our 2010 Equity Incentive Plan and 2010 Employee Stock Purchase Plan. MagnaChip Semiconductor LLC issued warrants to purchase an aggregate of 15,000,000 common units pursuant to the reorganization proceedings, which are subject to a warrant agreement dated November 9, 2009 between us and

American Stock Transfer & Trust Company, LLC, our warrant agent. At December 31, 2009, 15,000,000 common units were subject to outstanding warrants and no common units had been purchased in connection with the exercise of previously issued warrants. In connection with the corporate conversion, the existing warrants will be automatically converted into warrants to acquire shares of our common stock.

Holders of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders. Our stockholders do not have cumulative voting rights in the election of directors. Except as required by law or our certificate of incorporation and bylaws, the vote of a majority of the shares represented in person or by proxy at any meeting at which a quorum is present will be sufficient for the transaction of any business at a meeting. Subject to preferences held by, or that may be granted to, any outstanding shares of preferred stock, holders of our common stock will be entitled to receive ratably those dividends as may be declared by our board of directors out of funds legally available for such distributions, as well as any other distributions made to our stockholders. See “Dividend Policy.” In the event of our liquidation, dissolution or winding up, holders of our common stock are entitled to share ratably in all of our assets remaining after we pay our liabilities and any liquidation preferences granted to the holders of outstanding shares of preferred stock. Holders of our common stock have no preemptive or other subscription or conversion rights. There are no redemption or sinking fund provisions applicable to our common stock. All shares of our common stock that will be outstanding at the time of the completion of the offering will be fully paid and non-assessable.

Preferred Stock

Our certificate of incorporation authorizes the issuance of shares of blank check preferred stock with such designation, rights and preferences as may be determined from time to time by our board of directors. No shares of preferred stock are being issued or registered in this offering. Accordingly, our board of directors is empowered, without stockholder approval, to issue preferred stock with dividend, liquidation, conversion, voting or other rights which could adversely affect the voting power or other rights of the holders of common stock. The preferred stock could be utilized as a method of discouraging, delaying or preventing a change in control of us. Although we do not currently intend to issue any shares of preferred stock, there can be no assurance that we will not do so in the future.

Registration Rights

Upon the closing of this offering, holders of shares of our common stock will be entitled to certain rights with respect to the registration of their shares under the Securities Act.

Demand Registration Rights. Commencing 90 days following the effective date of the registration statement relating to this prospectus, any holder who is a party to the registration rights agreement and who holds a minimum of 20% of the common stock covered by the registration rights agreement, has the right to demand that we file a registration statement covering the resale of its common stock, subject to a maximum of four such demands in the aggregate for all holders and to other specified exceptions. After we become eligible for the use of SEC Form S-3, any holder who is a party to the registration rights agreement, has the right to demand that we file with the SEC a registration statement under SEC Form S-3 or any similar short-form registration statement covering the shares of common stock held by these stockholders to be offered to the public, subject to specified exceptions. At the request of the holders, a demand registration may be a shelf registration pursuant to Rule 415 of the Securities Act. The underwriters of any such offerings will have the right to limit the number of shares to be offered except that if a limit is imposed, then only shares held by holders who are parties to the registration rights agreement will be included in such offering and the number of shares to be included in such offering will be allocated pro rata among those same parties. In any event, we will not include any securities of any other person (including us) in any demand registration statement without the prior written consent of the holders of a majority of the shares of common stock covered by such demand registration statement.

In no event will we be required to effect more than one demand registration under the registration rights agreement within any three-month period (or within a given one-month period, in the case of any registration under Form S-3 or any similar short-form registration statement), and we will not be obligated to effect any demand registration unless the aggregate gross proceeds to be received from the sale of common stock equals or exceeds $10.0 million (or $1.0 million, in the case of any registration under Form S-3 or any similar short-form registration statement).

Piggyback Registration Rights. If we register any equity securities for our own account for public sale, stockholders with registration rights will, with specified exceptions, have the right to include their shares in the registration statement. The underwriters of any underwritten offering will have the right to limit the number of such shares to be included in the registration statement if the inclusion of all common stock of the holders who are a party to the registration rights agreement proposed to be included in such offering would materially and adversely interfere with the successful marketing of the Company's securities. Priority of inclusion in the registration shall be given first to us, second to stockholders with registration rights, *pro rata* on the basis of the relative number of securities requested to be registered by such stockholder, and third to any other participating person on such basis as we determine.

Expenses of Registration. Other than underwriting fees, discounts, commissions, stock transfer taxes and fees and disbursements of legal counsel to participating holders (excluding the fees of one firm of legal counsel to all of the participating holders participating in an underwritten public offering), we will pay all expenses relating to demand registrations and all expenses relating to piggyback registrations.

Indemnification and Contribution. The registration rights agreement contains indemnification and contribution arrangements between us and stockholders who are a party to the registration rights agreement with respect to each registration statement.

Anti-takeover Effects of Delaware Law and our Certificate of Incorporation and Bylaws

The provisions of Delaware law, our certificate of incorporation and our bylaws described below may have the effect of delaying, deferring or discouraging another party from acquiring control of us.

Delaware Law. We will be subject to the provisions of Section 203 of the DGCL regulating corporate takeovers. In general, those provisions prohibit a public Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that the stockholder became an interested stockholder, unless:

- the transaction is approved by the board of directors before the date the interested stockholder attained that status;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or
- on or after the date the business combination is approved by the board of directors and authorized at a meeting of stockholders, and not by written consent, by at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

In general, Section 203 defines a business combination to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;

- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by any such entity or person.

A Delaware corporation may opt out of this provision by express provision in its original certificate of incorporation or by amendment to its certificate of incorporation or bylaws approved by its stockholders. However, we have not opted out of, and do not currently intend to opt out of, this provision. The statute could prohibit or delay mergers or other takeover or change in control attempts and, accordingly, may discourage attempts to acquire us.

Charter and Bylaws. Our certificate of incorporation and bylaws contain certain provisions that are intended to enhance the likelihood of continuity and stability in the composition of the board of directors and which may have the effect of delaying, deferring or preventing a future takeover or change in control of our company unless such takeover or change in control is approved by the board of directors, including:

- ***Authorized but Unissued Preferred Stock.*** Our board of directors is authorized to issue, without stockholder approval, preferred stock with such terms as the board of directors may determine. For more information, see “Description of Capital Stock — Preferred Stock.”
- ***Calling Special Stockholder Meetings.*** Our bylaws provide that special meetings of our stockholders may be called only pursuant to the request of our board of directors, by the chairman of our board of directors, by our chief executive officer or by the holders of at least 25% of the voting power of all then outstanding shares of common stock of the company. In addition, stockholders may not fill vacancies on the board of directors and may not act by written consent.
- ***Advanced Notice Procedures.*** Stockholders must timely provide advance notice, with specific requirements as to form and content, of nominations of directors or the proposal of business to be voted on at an annual meeting.
- ***Classified Board of Directors.*** Our bylaws provide that our board of directors will be divided into three classes of directors, with the classes to be as nearly equal in number as possible. Prior to consummation of this offering, our board will assign each of the current members to their respective class as the board shall determine in its sole discretion, subject to the foregoing requirement that the classes be nearly equal in size. We anticipate we will have a classified board, with two directors in Class I, two directors in Class II and three directors in Class III. The members of each class will serve for a term expiring at the third succeeding annual meeting of stockholders. As a result, approximately one-third of our board will be elected each year. A replacement director shall serve in the same class as the former director he or she is replacing. The classification of our board will have the effect of making it more difficult for stockholders to change the composition of our board.
- ***Other Board of Director Requirements.*** Our authorized number of directors may be changed only by resolution of the board of directors and all vacancies, including newly created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum. In addition, directors may only be removed for cause and then only by a vote of holders of a majority of the shares entitled to vote at an election of directors.

- ***Conflicts of Interest.*** Delaware law permits corporations to adopt provisions renouncing any interest or expectancy in certain opportunities that are presented to the corporation or its officers, directors or stockholders. Our certificate of incorporation renounces any interest or expectancy that we have in, or right to be offered an opportunity to participate in, specified business opportunities. Our certificate of incorporation provides that none of our non-employee directors, non-employee 5% or greater stockholders or their affiliates will have any duty to refrain from engaging in a corporate opportunity in the same or similar lines of business in which we or our affiliates now engage or propose to engage. In addition, in the event that any such director, stockholder or affiliate acquires knowledge of a potential transaction or other business opportunity which may be a corporate opportunity for us or our affiliates, such person will have no duty to communicate or offer such transaction or business opportunity to us and may take any such opportunity for themselves or offer it to another person or entity. Our certificate of incorporation does not renounce our interest in any business opportunity that is expressly offered to a director solely in his or her capacity as a director of the company.
- ***Director and Officer Indemnification***. We will indemnify officers and directors against losses that they may incur in investigations and legal proceedings resulting from their services to us, which may include services in connection with takeover defense measures.
- ***Supermajority Voting Requirements.*** The affirmative vote of the holders of at least $66^{2}/_{3}\%$ in voting power of all shares of our stock entitled to vote generally in the election of directors, voting together as a single class, is required in order for our stockholders to alter, amend or repeal the provisions of our bylaws or amend or repeal of certain provisions of our certificate of incorporation including the following:
  - classified board (the election and term of our directors);
  - the resignation and removal of directors;
  - the provisions regarding competition and corporate opportunities;
  - the provisions regarding stockholder action by written consent;
  - the provisions regarding calling special meetings of stockholders;
  - filling vacancies on our board and newly created directorships;
  - the advance notice requirements for stockholder proposals and director nominations; and
  - indemnification provisions.

In addition, our certificate of incorporation grants our board the authority to amend and repeal our bylaws without a stockholder vote in any manner not inconsistent with the laws of the State of Delaware or our certificate of incorporation.

Limitations on Liability and Indemnification of Officers and Directors

The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties. Our certificate of incorporation includes a provision that eliminates the personal liability of directors for monetary damages for actions taken as a director, except to the extent such exemption from liability is not permitted by the DGCL.

Our certificate of incorporation and bylaws provide that we must indemnify our directors and officers to the fullest extent authorized by the DGCL. We are also expressly obligated to advance certain expenses (including attorneys' fees and disbursements and court costs) and carry directors' and officers' insurance providing indemnification for our directors, officers and certain employees for some liabilities. We believe that these indemnification provisions and insurance are useful to attract and retain qualified directors and executive officers.

The limitation of liability and indemnification provisions in our certificate of incorporation and bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. In addition, your investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

Listing

We intend to apply to have our depositary shares and common stock quoted on the NYSE under the symbol "MX."

Transfer Agent and Registrar; Warrant Agent

The transfer agent and registrar for our common stock and the warrant agent for our warrants is American Stock Transfer & Trust Company, LLC and its telephone number is (800) 937-5449.

DESCRIPTION OF DEPOSITARY SHARES

General

All of the shares of common stock sold in this offering will be sold in the form of depositary shares. Each depositary share represents an ownership interest in one share of common stock and will be evidenced by a depositary receipt. The shares of common stock represented by depositary shares will be deposited under a deposit agreement among MagnaChip Semiconductor LLC, American Stock Transfer & Trust Company, LLC, as the depositary, and the holders from time to time of the depositary receipts evidencing the depositary shares. Subject to the terms of the deposit agreement, each holder of a depositary share will be entitled, through the depositary, to all the rights and preferences of the shares of common stock represented thereby (including dividend, voting, redemption and liquidation rights).

To enable the selling stockholders to obtain the preferred income tax treatment for the corporate conversion, this offering has been structured so that each purchaser will purchase a combination of shares sold by us (primary shares) and shares sold by the selling stockholders (secondary shares) in a specified ratio. Each depositary share sold in this offering represents a fraction of a primary share and a fraction of a secondary share in such specified ratio. The offering of depositary shares will enable us and the selling stockholders to establish that each purchaser will purchase such fixed ratio of primary to secondary shares.

All of the shares of common stock sold in this offering will be deposited with the depositary prior to the completion of this offering. The depositary then will issue the depositary shares to the underwriters. Copies of the forms of the deposit agreement and the depositary receipt have been filed as exhibits to the registration statement of which this prospectus is a part.

Cancellation of Depositary Shares

On , 2010, each holder of depositary shares will be credited with a number of shares of common stock equal to the number of depositary shares held by such holder on that date, and the depositary shares will be canceled.

For U.S. tax purposes holders of our depositary shares are treated as if they hold the underlying common shares represented by the depositary shares. The exchange of depositary shares for shares of our common stock should not be a taxable event for U.S. federal income tax purposes.

Fees and Expenses

Except as described under “Withdrawal,” we will pay all fees, charges and expenses of the depositary and any agent of the depositary, including any fees, charges and expenses payable in connection with the cancellation of the depositary shares on , 2010.

Dividends and Other Distributions

We do not expect to pay any dividends or other distribution prior to the cancellation of the depositary shares on , 2010.

Listing

We intend to apply to have our depositary shares and our common stock quoted on the New York Stock Exchange under the symbol “MX.” Before the cancellation of the depositary shares on , 2010, all of the shares of common stock sold in this offering will be deposited with the depositary, and there will not be any separate public trading market for our shares of common stock, except as represented by the depositary shares. After the cancellation of the depositary shares on , 2010, our shares of common stock will be listed on the New York Stock Exchange under the symbol “MX.”

Withdrawal

Holders of depositary shares have the right to cancel their depositary shares and withdraw the underlying common shares at any time subject only to:

- temporary delays caused by closing of our or the depositary's transfer books;
- the payment of fees, charges, taxes and other governmental charges; or
- where deemed necessary or advisable by the depositary or us in good faith due to any requirement of any U.S. or foreign laws, government, governmental body or commission, any securities exchange on which the depositary shares are listed or governmental regulations relating to the depositary shares or the withdrawal of the underlying shares of common stock.

U.S. securities laws provide that this right of withdrawal may not be limited by any other provision of the deposit agreement. However, until , 2010, our common stock will not be listed on any exchange. Therefore, until that date, it may be more difficult to dispose of our shares of common stock than it will be to dispose of our depositary shares.

If you elect to withdraw the shares of common stock underlying your depositary shares from the depositary, you will be required to pay the depositary a fee of up to $ per depositary share surrendered, together with expenses incurred by the depositary and any taxes or charges, such as stamp taxes or stock transfer taxes or fees, in connection with the withdrawal. We will not receive any portion of the fee payable to the depositary upon a withdrawal of shares from the depositary.

Form of Depositary Shares

The depositary shares shall be issued in book-entry form through American Stock Transfer & Trust Company, LLC as depositary. The shares of common stock sold in this offering will be issued in registered form to the depositary.

Limitations on Obligations and Liability

The deposit agreement expressly limits our and the depositary's obligations and liability.

We and the depositary:

- have agreed to perform our respective obligations specifically set forth in the deposit agreement without gross negligence or bad faith;
- are not liable if either of us by law or circumstances beyond our control is prevented from, or delayed in, performing any obligation under the deposit agreement, including, without limitation, requirements of any present or future law, regulation, governmental or regulatory authority or stock exchange of any applicable jurisdiction, any present or future provision of our certificate of incorporation and bylaws, on account of possible civil or criminal penalties or restraint, any provisions of or governing the deposited securities, any act of God, war or other circumstances beyond each of our control as set forth in the deposit agreement;
- are not liable if either of us exercises or fails to exercise the discretion permitted under the deposit agreement, the provisions of or governing the deposited shares of common stock or our certificate of incorporation and bylaws;
- are not liable for any action or inaction on the advice or information of legal counsel, accountants, any person presenting common shares for deposit, holders and beneficial owners (or authorized representatives) of depositary shares, or any person believed in good faith to be competent to give such advice or information;
- are not liable for the inability of any holder to benefit from any distribution, offering, right or other benefit if made in accordance with the provisions of the deposit agreement;

- have no obligation to become involved in a lawsuit or other proceeding related to any deposited shares of common stock or the depositary shares or the deposit agreement on behalf of holders of depositary shares or on behalf of any other party;
- may rely upon any documents we believe in good faith to be genuine and to have been signed or presented by the proper party; and
- shall not incur any liability for any indirect, special, punitive or consequential damages for any breach of the terms of the deposit agreement.

The depositary and its agents will not incur any liability under the deposit agreement for the failure to determine that any action may be lawful or reasonably practicable, allowing any rights to lapse in accordance with the provisions of the deposit agreement, the failure or timeliness of any notice from us, the content of any information submitted to it by us for distribution to holders of depositary shares, any investment risk associated with the acquisition of an interest in our shares of common stock, the validity or worth of the deposited shares of common stock, any tax consequences that may result from ownership of depositary shares or shares of common stock, the creditworthiness of any third party and for any indirect, special, punitive or consequential damage. We also have agreed to indemnify the depositary under certain circumstances. The depositary may own and deal in any class of our securities, including the depositary shares.

Notwithstanding the foregoing, the deposit agreement does not limit our liability under federal securities laws.

DESCRIPTION OF CERTAIN INDEBTEDNESS

The following discussion is a summary and is not complete and is subject in its entirety by reference to the actual provisions of the documents referred to below.

On December 23, 2004, MagnaChip Semiconductor LLC and its subsidiaries entered into a senior secured credit agreement with a syndicate of banks, financial institutions and other entities, as lenders, providing for a $100 million senior secured revolving credit facility. The borrowers under the senior secured credit facility are MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, two of our wholly-owned subsidiaries. On November 6, 2009, in connection with the reorganization proceedings, our senior secured credit agreement was amended and restated to, among other things, terminate any unused commitments, reduce the outstanding principal amount to $61,750,000, redenominate the outstanding revolving loans as outstanding term loans, and appoint Wilmington Trust FSB as administrative agent and collateral agent.

MagnaChip Semiconductor LLC and each of its current direct and indirect subsidiaries are (and each future direct and indirect subsidiary will be) guarantors of the senior secured credit facility (except for MagnaChip Semiconductor (Shanghai) Company Limited). The senior secured credit facility is secured on a first-priority basis by substantially all of the assets of the borrowers and guarantors, including but not limited to, pledges of the equity interests of the subsidiaries of MagnaChip Semiconductor LLC that are guarantors.

Loans made under the senior secured credit facility bear interest at the following rates: (i) for base rate loans, the greater of (A) the corporate base rate determined by the administrative agent and (B) the Federal Funds Effective Rate plus 0.50% (such greater interest rate, the “ABR”), in each case plus 11.0% per annum; and (ii) for Eurodollar loans, the adjusted LIBOR rate plus 12% per annum. If at any time an event of default has occurred and is continuing, all outstanding obligations will bear interest at the ABR plus 13.0% per annum. Default interest is payable on demand. All other interest on all loans under the senior secured credit facility is payable at maturity and, with respect to Eurodollar loans, at the end of the applicable interest periods (which may be 1, 2, 3, 6 or, with lender consent, 9 months), but in any event at least every three months, and with respect to the base rate loans, on the last business day of each calendar quarter.

The unpaid principal amount of the loans under the senior secured credit facility is payable at maturity. In addition, principal installments are to be paid on the last day of each calendar quarter beginning with the quarter ending March 31, 2010. Finally, under certain circumstances, loans outstanding under the senior secured credit facility must be prepaid in conjunction with excess cash flow, asset sales, dividend or subordinated debt payments, and casualty events.

The senior secured credit facility agreement contains certain restrictive covenants, including those with respect to the future maintenance and conduct of the business, the incurrence of debt or liens, the making of certain investments, the repayment of other indebtedness, the issuance of specified capital stock and the consummation of sale/leaseback transactions, affiliate transactions, mergers and consolidations, asset sales, distributions and dividends on capital stock, and certain acquisitions. The senior secured credit facility also contains a minimum liquidity financial covenant.

The senior secured credit facility includes certain events of default, including payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults to certain indebtedness, certain events of bankruptcy, material judgments, the invalidity of the documentation with respect to the senior secured credit facility in any material respect, the failure of the security interests in any material collateral created under the security documents for the senior secured credit facility to be enforceable or to have the purported priority thereunder, or the occurrence of a change of control. If an event of default occurs (other than in designated cases such as bankruptcy or a similar proceeding, in which case acceleration of the indebtedness will be automatic), the senior lenders will be entitled to take certain actions, including the acceleration of all amounts due under the senior secured credit facility and all actions permitted to be taken by a secured creditor.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock, and a significant public market for our common stock may not develop or be sustained after this offering. Future sales of significant amounts of our common stock, including shares of our outstanding common stock and shares of our common stock issued upon exercise of outstanding options and warrants, in the public market after this offering could adversely affect the prevailing market price of our common stock and could impair our future ability to raise capital through the sale of securities.

Sale of Restricted Shares and Lock-Up Agreements

Upon the closing of this offering, we will have outstanding shares of common stock, based upon the common units of MagnaChip Semiconductor LLC outstanding as of December 31, 2009 after giving effect to the corporate conversion pursuant to which each common unit will be automatically converted into shares of our common stock at a ratio of .

Of these shares, the shares of common stock sold in this offering, or shares if the underwriters exercise their option to purchase additional shares in full, will be freely tradable without restriction under the Securities Act, unless purchased by affiliates of our company, as that term is defined in Rule 144 under the Securities Act.

Of the remaining shares of common stock, were converted in the corporate conversion from common units of MagnaChip Semiconductor LLC issued under Section 1145 of the U.S. Bankruptcy Code in connection with our reorganization proceedings and were deemed to have been issued in a public offering and may be resold as freely tradeable securities under Section 4(1) of the Securities Act, except for such shares held by our affiliates or holders deemed to be "underwriters," as that term is defined in Section 1145(b) of the U.S. Bankruptcy Code, who may be subject to applicable resale limitations under Rule 144; and shares of common stock are eligible for public sale if registered under the Securities Act or sold in accordance with Rule 144 of the Securities Act. These shares are subject to a registration rights agreement, an agreement and plan of conversion or restricted unit agreements that restricts their sale for 180 days after the date of this prospectus unless Goldman, Sachs & Co. and Barclays Capital Inc., the representatives of the underwriters, agree to a lesser period. Furthermore, of these remaining shares of common stock are held by officers, directors and existing stockholders who are subject to lock-up agreements and other trading restrictions for a period of 180 days after the date of this prospectus. These lock-up agreements do not restrict the ability of the stockholders party to the registration rights agreement to cause a resale registration statement to be filed in accordance with the demand registration rights described above under "Description of Capital Stock — Registration Rights."

Goldman, Sachs & Co. and Barclays Capital Inc., as representatives of the underwriters, may, at any time without notice, release all or any portion of the securities subject to the lock-up agreements. We have been advised by the representatives of the underwriters that, when determining whether or not to release shares from the lock-up agreements, the representatives of the underwriters will consider, among other factors, the stockholder's reasons for requesting the release, the number of shares for which the release is being requested and market conditions at the time. The representatives of the underwriters have advised us that they have no present intention to release any of the shares subject to the lock-up agreements prior to the expiration of the lock-up period.

Rule 144

In general, Rule 144 allows a stockholder (or stockholders where shares of common stock are aggregated) who has beneficially owned shares of our common stock for at least six months to sell an unlimited number of shares of our common stock provided current public information about us is available and, after one year, an unlimited number of shares of our common stock without restriction. Our affiliates who have beneficially owned shares of our common stock for at least six months are

entitled to sell within any three-month period commencing 90 days after the date of this prospectus a number of those shares that does not exceed the greater of:

- one percent of the number of shares of common stock then outstanding, which will equal approximately shares immediately after this offering; or
- the average weekly trading volume of the common stock on all national securities exchanges and/or reported through the automated quotation system of a registered securities association during the four calendar weeks preceding the sale.

Sales under Rule 144 by our affiliates are subject to specific manner of sales provisions, notice requirements and the availability of current information about us. We cannot estimate the number of shares of common stock our existing stockholders will sell under Rule 144, as this will depend on the market price for our common stock, the personal circumstances of the stockholders and other factors.

Options

In addition to the shares of common stock outstanding immediately after this offering, based upon the common units of MagnaChip Semiconductor LLC outstanding as of December 31, 2009 after giving effect to the corporate conversion pursuant to which each common unit will be automatically converted into shares of our common stock at a ratio of , there were outstanding options to purchase shares of our common stock. As soon as practicable after the closing of this offering, we intend to file a registration statement on Form S-8 under the Securities Act covering shares of our common stock reserved for issuance upon exercise of stock options outstanding as of at a weighted average exercise price of per share and shares of our common stock reserved as of for issuance pursuant to future grants under our 2010 Equity Incentive Plan and 2010 Employee Stock Purchase Plan. Accordingly, shares of our common stock registered under such registration statement will be available for sale in the open market upon exercise by the holders, subject to vesting restrictions with us, contractual lock-up restrictions, our securities trading policy and/or market stand-off provisions applicable to each other agreement that prohibits the sale or other disposition of the shares of common stock underlying the options for a period of 180 days after the date of this prospectus without the prior written consent from us or Goldman, Sachs & Co. and Barclays Capital Inc.

Warrants

In addition to the shares of common stock outstanding immediately after this offering after giving effect to the corporate conversion, as of December 31, 2009, there were outstanding warrants to purchase shares of our common stock. The warrants were issued under Section 1145 of the U.S. Bankruptcy Code in connection with our reorganization proceedings and such warrants were deemed to have been issued, and shares of common stock issued upon exercise of such warrants will be deemed to be issued, in a public offering and may be resold as freely tradeable securities under Section 4(1) of the Securities Act, except for such warrants and shares of common stock issued upon exercise of such warrants held by our affiliates or holders deemed to be “underwriters,” as that term is defined in Section 1145(b) of the U.S. Bankruptcy Code, who may be subject to applicable resale limitations under Rule 144. The warrants and shares of common stock issued upon exercise of such warrants are subject to a warrant agreement that restricts their sale for 180 days after the date of this prospectus unless we and the managing underwriters, agree to a lesser period.

Registration Rights

Upon the closing of this offering, certain holders of our shares of common stock will have the right to register their remaining shares of common stock pursuant to a registration rights agreement. In addition, some holders will have certain “piggyback” registration rights, pursuant to that agreement. See “Description of Capital Stock.”

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following is a summary of the material U.S. federal income tax consequences of the ownership and disposition of shares of our common stock to a non-U.S. holder who purchases our common stock in this offering. For purposes of this discussion, a non-U.S. holder is any beneficial owner of our common stock that for U.S. federal income tax purposes is not a U.S. person (other than a partnership, as discussed below); the term U.S. person means:

- an individual citizen or resident of the United States;
- a corporation or other entity taxable as a corporation created or organized in the United States or under the laws of the United States or any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income tax regardless of its source; or
- a trust (x) whose administration is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust or (y) which has made a valid election to be treated as a U.S. person.

If a partnership or other pass-through entity holds common stock, the tax treatment of a partner or member in the partnership or other entity will generally depend on the status of the partner or member and upon the activities of the partnership or other entity. Accordingly, we urge partnerships or other pass-through entities which hold shares of our common stock and partners or members in these partnerships or other entities to consult their tax advisors.

This discussion assumes that non-U.S. holders will hold shares of our common stock issued pursuant to the offering as a capital asset (generally, property held for investment). This discussion does not address all aspects of U.S. federal income taxation that may be relevant in light of a non-U.S. holder's special tax status or special tax situations. U.S. expatriates, life insurance companies, tax-exempt organizations, dealers in securities or currency, banks or other financial institutions, pension funds and investors that hold shares of common stock as part of a hedge, straddle or conversion transaction are among those categories of potential investors that are subject to special rules not covered in this discussion. This discussion does not address any non-income tax consequences or any income tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction. Furthermore, the following discussion is based on current provisions of the Internal Revenue Code, Treasury Regulations and administrative and judicial interpretations thereof, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. Additionally, we have not sought any ruling from the Internal Revenue Service or IRS, with respect to statements made and conclusions reached in this discussion, and there can be no assurance that the IRS will agree with these statements and conclusions. We urge each prospective purchaser to consult a tax advisor regarding the U.S. federal, state, local and non-U.S. income and other tax consequences of acquiring, holding and disposing of shares of our common stock.

Distributions

If we make distributions on our common stock, those payments will constitute dividends for U.S. tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent those distributions exceed our current and accumulated earnings and profits, the distributions will first constitute a return of capital and will reduce a holder's basis, but not below zero, and then will be treated as gain from the sale of shares and may be subject to U.S. federal income tax as described below.

Any distribution that is a dividend, as defined above, paid to a non-U.S. holder of common shares generally will be subject to U.S. withholding tax either at a rate of 30% of the gross amount of the dividend or such lower rate as may be specified by an applicable tax treaty. In order to receive a

reduced treaty rate, a non-U.S. holder must timely provide us with an IRS Form W-8BEN or other appropriate version of IRS Form W-8 properly certifying qualification for the reduced rate.

Dividends received by a non-U.S. holder that are effectively connected with a U.S. trade or business conducted by the non-U.S. holder (and dividends attributable to a non-U.S. holder's permanent establishment in the United States if a tax treaty applies) are exempt from this withholding tax. In order to obtain this exemption, a non-U.S. holder must timely provide us with an IRS Form W-8ECI properly certifying this exemption. Dividends that are so effectively connected (and, if required by an applicable tax treaty, attributable to a permanent establishment), although not subject to withholding tax, are taxed at the same graduated rates applicable to U.S. persons, net of specified deductions and credits. In addition, such dividends received by a corporate non-U.S. holder may also be subject to a branch profits tax at a rate of 30% (or such lower rate as may be specified in a tax treaty).

A non-U.S. holder of common stock that is eligible for a reduced rate of withholding tax pursuant to a tax treaty may obtain a refund of any excess amounts withheld if an appropriate claim for refund is filed with the IRS.

Gain on Disposition of Shares of Common Stock

A non-U.S. holder generally will not be subject to United States federal income tax on gain realized upon the sale or other disposition of shares of our common stock unless:

- the gain is effectively connected with a U.S. trade or business of the non-U.S. holder (and attributable to a permanent establishment in the United States if a tax treaty applies);
- the non-U.S. holder is an individual who is present in the United States for a period or periods aggregating 183 days or more during the taxable year in which the sale or disposition occurs and certain other conditions are met; or
- our common stock constitutes a U.S. real property interest by reason of our status as a "United States real property holding corporation" for U.S. federal income tax purposes at any time within the shorter of the five-year period preceding the date of disposition or the holder's holding period for shares of our common stock. We believe that we will not be, immediately after our conversion to a corporation, and we believe that we will not become, a "United States real property holding corporation" for U.S. federal income tax purposes. If we become a "United States real property holding corporation," so long as our common stock is "regularly traded" on an established securities market, only a non-U.S. holder who, actually or constructively, holds or held (at any time during the shorter of the five year period preceding the date of disposition or the holder's holding period) more than 5% of shares of our common stock will be subject to U.S. federal income tax on the disposition of shares of our common stock.

If the recipient is a non-U.S. holder described in the first bullet above, the recipient will be required to pay tax on the net gain derived from the sale under regular graduated U.S. federal income tax rates, and corporate non-U.S. holders described in the first bullet above may be subject to the branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. Non-U.S. holders should consult their tax advisors regarding any applicable income tax treaties that may provide for different rules.

If the recipient is an individual non-U.S. holder described in the second bullet above, the recipient will be required to pay a flat 30% tax on the gain derived from the sale, which gain may be offset by U.S. source capital losses provided that the non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses.

Backup Withholding and Information Reporting

Generally, we must report annually to the IRS the amount of dividends paid, the name and address of the recipient, and the amount, if any, of tax withheld. A similar report is sent to the holder. Pursuant to tax treaties or other agreements, the IRS may make its reports available to tax authorities in the recipient's country of residence.

Payments of dividends or of proceeds on the disposition of shares made to a non-U.S. holder may be subject to information reporting and backup withholding at the then effective rate unless the non-U.S. holder establishes an exemption, for example, by properly certifying its non-U.S. status on a Form W-8BEN or another appropriate version of Form W-8. Notwithstanding the foregoing, information reporting and backup withholding may apply if either we or our paying agent has actual knowledge, or reason to know, that the holder is a U.S. person.

Backup withholding is not an additional tax. Rather, the U.S. income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund or credit may be obtained, so long as the required information is furnished to the IRS in a timely manner.

Proposed Legislation Relating to Foreign Accounts

Legislation has been introduced into the U.S. Congress (and the U.S. House of Representatives and Senate have passed versions of this legislation) that would impose withholding taxes on certain types of payments made to "foreign financial institutions" and certain other non-U.S. entities. If this legislation or other similar legislation is enacted, the failure to comply with additional certification, information reporting and other specified requirements could result in withholding tax being imposed on payments of dividends and sales proceeds to foreign intermediaries and certain non-U.S. holders. Any such legislation could substantially change some of the rules discussed above relating to certification requirements, information reporting and withholding. No assurances can be given whether, or in what form, this legislation will be enacted. Prospective investors should consult their tax advisors regarding this legislation and similar proposals.

UNDERWRITING

We, the selling stockholders and the underwriters named below have entered into an underwriting agreement with respect to the shares being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares indicated in the following table. Goldman, Sachs & Co. and Barclays Capital Inc. are the representatives of the underwriters.

Underwriters	Number of Shares
Goldman, Sachs & Co.	
Barclays Capital Inc.	
Deutsche Bank Securities Inc.	
Citigroup Global Markets Inc.	
UBS Securities LLC	
Total	

The underwriters are committed to take and pay for all of the shares being offered, if any are taken, other than the shares covered by the option described below unless and until this option is exercised. If the underwriters sell more shares than the total number set forth in the table above, the underwriters have an option to buy up to an additional shares from us and shares from the selling stockholders. They may exercise that option in whole or in part and from time to time for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discount to be paid to the underwriters by us and the selling stockholders. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

Paid by Us	No Exercise	Full Exercise
Per share	$	$
Total	$	$

Paid by the Selling Stockholders	No Exercise	Full Exercise
Per share	$	$
Total	$	$

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to $ per share from the initial public offering price. If all the shares are not sold at the initial public offering price, the representatives may change the offering price and the other selling terms. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

We and our officers, directors, selling stockholders and certain other stockholders have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of the representatives; provided, that this agreement does not restrict the ability of the stockholders party to the registration rights agreement to cause a resale registration statement to be filed in accordance with the demand registration rights described above under "Description of Capital Stock — Registration Rights." See "Shares Eligible for Future Sale" for a discussion of certain transfer restrictions.

The 180-day restricted period described in the preceding paragraph will be automatically extended if: (1) during the last 17 days of the 180-day restricted period we issue an earnings release or announce material news or a material event; or (2) prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 15-day period following the last day of the 180-day period, in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the material news or material event.

Prior to the offering, there has been no public market for the shares. The initial public offering price has been negotiated among us and the representatives. Among the factors to be considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, will be our historical performance, estimates of our business potential and earnings prospects, an assessment of our management and the consideration of the above factors in relation to market valuation of companies in related businesses.

The Company intends to apply to have its depositary shares and common stock quoted on the NYSE under the symbol “MX.”

In connection with the offering, the underwriters may purchase and sell shares of our common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. “Covered” short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares from us and the selling stockholders in the offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase additional shares pursuant to the option granted to them. “Naked” short sales are any sales in excess of such option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of common stock made by the underwriters in the open market prior to the closing of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of our stock, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the common stock. As a result, the price of our common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time. These transactions may be effected on the NYSE, in the over-the-counter market or otherwise.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive, or a Relevant Member State, each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, or the Relevant Implementation Date, it has not made and will not make an offer of shares to the public in that Relevant Member State prior to the publication of a prospectus in relation to the shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive,

except that it may, with effect from and including the Relevant Implementation Date, make an offer of shares to the public in that Relevant Member State at any time:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43 million and (3) an annual net turnover of more than €50 million, as shown in its last annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer; or

(d) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of shares to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Each underwriter has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services Markets Act 2000, or the FSMA) received by it in connection with the issue or sale of the shares in circumstances in which Section 21(1) of the FSMA would not, if the issuer was not an authorized person, apply to the issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom.

The shares may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or the SFA, (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the shares under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

The securities have not been and will not be registered under the Securities and Exchange Law of Japan, or the Securities and Exchange Law, and each underwriter has agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

A prospectus in electronic format will be available on the websites maintained by one or more of the underwriters participating in this offering. The representatives may agree to allocate a number of shares to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters that make internet distributions on the same basis as other allocations.

The underwriters do not expect sales to discretionary accounts to exceed five percent of the total number of shares offered.

We estimate that our share of the total expenses of the offering, excluding underwriting discount but including the expenses of the selling stockholders, will be approximately $ million.

We and the selling stockholders have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933, and to contribute to payments that the underwriters may be required to make for any such liabilities.

If you purchase shares of common stock offered in this prospectus, you may be required to pay stamp taxes and other charges under the laws and practices of the country of purchase, in addition to the offering price listed on the cover page of this prospectus.

Certain of the underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the issuer, for which they received or will receive customary fees and expenses. Goldman Sachs Credit Partners LP (an affiliate of Goldman, Sachs & Co.) and Citicorp North America LLC (an affiliate of Citigroup Global Markets Inc.) serve as lenders under our senior secured credit facility for which they receive customary fees and expenses. An affiliate of Goldman, Sachs & Co. is the counterparty to our currency hedging transactions. Goldman, Sachs & Co. and Citigroup Global Markets Inc. are managing underwriters in this offering.

In the ordinary course of their various business activities, certain of the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the issuer.

LEGAL MATTERS

The validity of our depositary shares and common stock offered hereby will be passed on for us by DLA Piper LLP (US), East Palo Alto, California. Certain legal matters in connection with this offering will be passed on for the underwriters by Latham & Watkins LLP, New York, New York.

EXPERTS

Our consolidated financial statements as of and for the two-month period ended December 31, 2009, and consolidated financial statements as of December 31, 2008 and for the ten-month period ended October 25, 2009 and for each of the two years in the periods ended December 31, 2008 and 2007 included in this prospectus have been so included in reliance on the reports of Samil PricewaterhouseCoopers, an independent registered public accounting firm, given on the authority of said firm as experts in accounting and auditing. The address of Samil PricewaterhouseCoopers is LS Yongsan Tower, 191 Hangangro 2ga, Yongsan-gu, Seoul 140-702, Korea. Samil PricewaterhouseCoopers is a member of the Korean Institute of Certified Public Accountants.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act of 1933, covering our common stock to be issued pursuant to this offering (Registration No. 333-). This prospectus, which is a part of the registration statement, does not contain all of the information included in the registration statement. Any statement made in this prospectus concerning the contents of any contract, agreement or other document is not necessarily complete. For further information regarding MagnaChip and the depositary shares to be issued in the offering, please refer to the registration statement, including its exhibits. If we have filed any contract, agreement or other document as an exhibit to the registration statement, you should read the exhibit for a more complete understanding of the documents or matters involved.

You may read and copy any reports or other information filed by us at the SEC's public reference room at 100 F Street N.E., Washington, DC 20549. Copies of this material can be obtained from the Public Reference Section of the SEC upon payment of fees prescribed by the SEC. You may call the SEC at 800-SEC-0350 for further information on the operation of the public reference room. Our filings will also be available to the public from commercial document retrieval services and at the SEC website at "www.sec.gov." In addition, you may request a copy of any of these filings, at no cost, by writing or telephoning us at the following address or phone number: c/o MagnaChip Semiconductor, Inc., 20400 Stevens Creek Boulevard, Suite 370 Cupertino, CA 95014, attention: Senior Vice President, General Counsel and Secretary; the telephone number at that address is 408-625-5999.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Unitholders of
MagnaChip Semiconductor LLC

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, of changes in unitholders' equity and of cash flows present fairly, in all material respects, the financial position of MagnaChip Semiconductor LLC and its subsidiaries (the "Company") at December 31, 2009 (Successor Company) and the results of their operations and their cash flows for the two-month period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, the United States Bankruptcy Court for the District of Delaware confirmed the Creditors' Committee's reorganization plan (the "Plan") on September 25, 2009. Confirmation of the Plan resulted in the discharge of all claims against the Company that arose before June 12, 2009 and substantially terminates all rights and interests of equity security holders as provided for in the Plan. The Plan was substantially consummated on November 9, 2009 and the Company emerged from bankruptcy. In connection with its emergence from bankruptcy, the Company adopted fresh-start accounting as of October 25, 2009.

/s/ Samil PricewaterhouseCoopers

Seoul, Korea
March 13, 2010

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Unitholders of
MagnaChip Semiconductor LLC

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, of changes in unitholders' equity and of cash flows present fairly, in all material respects, the financial position of MagnaChip Semiconductor LLC and its subsidiaries (the "Company") at December 31, 2008 (Predecessor Company), and the results of their operations and their cash flows for the ten-month period ended October 25, 2009 and for each of the two years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, the Company filed a petition on June 12, 2009 with the United States Bankruptcy Court for the District of Delaware for reorganization under the provisions of Chapter 11 of the Bankruptcy Code. The Company's Creditors' Committee's reorganization plan was substantially consummated on November 9, 2009 and the Company emerged from bankruptcy. In connection with its emergence from bankruptcy, the Company adopted fresh-start accounting.

As discussed in Note 4 to the consolidated financial statements, the Company changed the manner in which it accounts for business combinations in 2009.

/s/ Samil PricewaterhouseCoopers

Seoul, Korea

March 13, 2010

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	Successor December 31, 2009	Predecessor December 31, 2008
	(In thousands of US dollars, except unit data)	
Assets		
Current assets		
Cash and cash equivalents	$ 64,925	$ 4,037
Restricted cash	—	11,768
Accounts receivable, net	74,233	76,295
Inventories, net	63,407	47,110
Other receivables	3,433	4,701
Prepaid expenses	12,625	9,268
Other current assets	3,433	4,799
Total current assets	222,056	157,978
Property, plant and equipment, net	156,337	183,955
Intangible assets, net	50,158	34,892
Long-term prepaid expenses	10,542	7,714
Other non-current assets	14,238	14,631
Total assets	$ 453,331	$ 399,170
Liabilities and Unitholders' Equity		
Current liabilities		
Accounts payable	$ 59,705	$ 70,158
Other accounts payable	7,190	15,040
Accrued expenses	22,114	38,554
Short-term borrowings	—	95,000
Current portion of long-term debt	618	750,000
Other current liabilities	3,937	3,735
Total current liabilities	93,564	972,487
Long-term borrowings	61,132	—
Accrued severance benefits, net	72,409	61,939
Other non-current liabilities	10,536	9,874
Total liabilities	237,641	1,044,300
Commitments and contingencies		
Series A redeemable convertible preferred units, $1,000 par value; 60,000 units authorized, 50,091 units issued and 0 unit outstanding at December 31, 2008	—	—
Series B redeemable convertible preferred units, $1,000 par value; 550,000 units authorized, 450,692 units issued, 93,997 units outstanding at December 31, 2008	—	142,669
Total redeemable convertible preferred units	—	142,669
Unitholders' equity		
Successor common units, no par value, 375,000,000 units authorized, 307,083,996 units issued and outstanding at December 31, 2009	55,135	—
Predecessor common units, $1 par value; 65,000,000 units authorized, 52,923,483 units issued and outstanding at December 31, 2008	—	52,923
Additional paid-in capital	168,700	3,150
Accumulated deficit	(1,963)	(995,007)
Accumulated other comprehensive income (loss)	(6,182)	151,135
Total unitholders' equity (deficit)	215,690	(787,799)
Total liabilities, redeemable convertible preferred units and unitholders' equity	$ 453,331	$ 399,170

The accompanying notes are an integral part of these consolidated financial statements

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Successor	Predecessor		
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
	(In thousands of US dollars, except unit data)			
Net sales	$ 111,082	$ 448,984	$ 601,664	$ 709,508
Cost of sales	90,408	311,139	445,254	578,857
Gross profit	20,674	137,845	156,410	130,651
Selling, general and administrative expenses	14,540	56,288	81,314	82,710
Research and development expenses	14,741	56,148	89,455	90,805
Restructuring and impairment charges	—	439	13,370	12,084
Operating income (loss) from continuing operations	(8,607)	24,970	(27,729)	(54,948)
Other income (expenses)				
Interest expense, net (contractual interest, net of $47,828 for the ten-month period ended October 25, 2009)	(1,258)	(31,165)	(76,119)	(60,311)
Foreign currency gain (loss), net	9,338	43,437	(210,406)	(4,732)
Reorganization items, net	—	804,573	—	—
	8,080	816,845	(286,525)	(65,043)
Income (loss) from continuing operations before income taxes	(527)	841,815	(314,254)	(119,991)
Income tax expenses	1,946	7,295	11,585	8,835
Income (loss) from continuing operations	(2,473)	834,520	(325,839)	(128,826)
Income (loss) from discontinued operations, net of taxes	510	6,586	(91,455)	(51,724)
Net income (loss)	$ (1,963)	$ 841,106	$ (417,294)	$ (180,550)
Dividends accrued on preferred units (contractual dividends of $11,819 for the ten-month period ended October 25, 2009)	—	6,317	13,264	12,031
Income (loss) from continuing operations attributable to common units	$ (2,473)	$ 828,203	$ (339,103)	$ (140,857)
Net income (loss) attributable to common units	$ (1,963)	$ 834,789	$ (430,558)	$ (192,581)
Earnings (loss) per common unit from continuing operations — Basic and diluted	$ (0.01)	$ 15.65	$ (6.43)	$ (2.69)
Earnings (loss) per common unit from discontinued operations — Basic and diluted	$ 0.00	$ 0.12	$ (1.73)	$ (0.99)
Earnings (loss) per common unit — Basic and diluted	$ (0.01)	$ 15.77	$ (8.16)	$ (3.68)
Weighted average number of units — Basic and diluted	300,862,764	52,923,483	52,768,614	52,297,192

The accompanying notes are an integral part of these consolidated financial statements

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

	Common Units		Additional Paid-In Capital	Accumulated deficit	Accumulated Other Comprehensive Income (loss)	Total
	Units	Amount				
			(In thousands of US dollars, except unit data)			
Balance at January 1, 2007	52,720,784	$ 52,721	$ 2,451	$ (370,314)	$ 30,601	$ (284,541)
(Predecessor Company)						
Exercise of unit options	124,938	125	26	—	—	151
Repurchase of common units	(1,500)	(2)	(4)	—	—	(6)
Unit-based compensation	—	—	604	—	—	604
Dividends accrued on preferred units	—	—	—	(12,031)	—	(12,031)
Impact on beginning accumulated deficit upon adoption of FIN 48	—	—	—	(1,554)	—	(1,554)
Comprehensive loss:						
Net loss	—	—	—	(180,550)	—	(180,550)
Fair valuation of derivatives	—	—	—	—	(3,477)	(3,477)
Foreign currency translation adjustments	—	—	—	—	3,925	3,925
Total comprehensive loss						(180,102)
Balance at December 31, 2007	52,844,222	$ 52,844	$ 3,077	$ (564,449)	$ 31,049	$ (477,479)
(Predecessor Company)						
Exercise of unit options	161,460	161	22	—	—	183
Repurchase of common units	(82,199)	(82)	(414)	—	—	(496)
Unit-based compensation	—	—	465	—	—	465
Dividends accrued on preferred units	—	—	—	(13,264)	—	(13,264)
Comprehensive loss:						
Net loss	—	—	—	(417,294)	—	(417,294)
Fair valuation of derivatives	—	—	—	—	(864)	(864)
Foreign currency translation adjustments	—	—	—	—	120,950	120,950
Total comprehensive loss						(297,208)
Balance at December 31, 2008	52,923,483	$ 52,923	$ 3,150	$ (995,007)	$ 151,135	$ (787,799)
(Predecessor Company)						
Unit-based compensation	—	—	233	—	—	233
Cancellation of the Predecessor Company's unit options	—	—	166	—	—	166
Dividends accrued on preferred units	—	—	—	(6,317)	—	(6,317)
Comprehensive income:						
Net income	—	—	—	841,106	—	841,106
Foreign currency translation adjustments	—	—	—	—	(30,395)	(30,395)
Unrealized gains on investments	—	—	—	—	340	340
Total comprehensive income						811,051
Balance at October 25, 2009	52,923,483	$ 52,923	$ 3,549	$ (160,218)	$ 121,080	$ 17,334
(Predecessor Company)						

	Common Units		Additional Paid-In Capital	Accumulated deficit	Accumulated Other Comprehensive Income (loss)	Total
	Units	Amount	(In thousands of US dollars, except unit data)			
Fresh-start adjustments:						
Cancellation of the Predecessor Company's common units	(52,923,483)	(52,923)	(3,549)	—	—	(56,472)
Elimination of the Predecessor Company's accumulated deficit and accumulated other comprehensive income	—	—	—	160,218	(121,080)	39,138
Issuance of new equity interests in connection with emergence from Chapter 11	299,999,996	49,539	166,322	—	—	215,861
Issuance of new warrants in connection with emergence from Chapter 11	—	—	2,533	—	—	2,533
Balance at October 25, 2009	299,999,996	$ 49,539	$ 168,855	$ —	$ —	$ 218,394
(Successor Company)						
Unit-based compensation	7,084,000	5,596	(155)	—	—	5,441
Comprehensive income:						
Net loss	—	—	—	(1,963)	—	(1,963)
Foreign currency translation adjustments	—	—	—	—	(6,298)	(6,298)
Unrealized gains on investments	—	—	—	—	116	116
Total comprehensive loss						(8,145)
Balance at December 31, 2009	307,083,996	$ 55,135	$ 168,700	$ (1,963)	$ (6,182)	$ 215,690
(Successor Company)						

The accompanying notes are an integral part of these consolidated financial statements

MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Successor	Predecessor		
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
	(In thousands of US dollars)			
Cash flows from operating activities				
Net income (loss)	$ (1,963)	$ 841,106	$ (417,294)	$ (180,550)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities				
Depreciation and amortization	11,218	38,255	71,960	163,434
Provision for severance benefits	1,851	8,835	14,026	18,834
Amortization of debt issuance costs	—	836	16,290	3,919
Loss (gain) on foreign currency translation, net	(10,077)	(44,224)	215,571	5,398
Loss (gain) on disposal of property, plant and equipment, net	17	95	(3,094)	(68)
Loss (gain) on disposal of intangible assets, net	5	(9,230)	—	(3,630)
Restructuring and impairment charges	—	(1,120)	42,539	10,106
Unit-based compensation	2,199	233	465	604
Cash used for reorganization items	4,263	1,076	—	—
Noncash reorganization items	—	(805,649)	—	—
Other	(667)	2,722	(400)	51
Changes in operating assets and liabilities				
Accounts receivable	16,443	(12,930)	31,025	(46,504)
Inventories	6,739	(1,163)	11,174	(18,398)
Other receivables	1,755	31	1,016	971
Deferred tax assets	678	1,054	1,490	952
Accounts payable	(14,144)	6,316	(5,063)	26,442
Other accounts payable	(12,511)	(11,452)	(19,887)	(6,021)
Accrued expenses	(5,687)	28,295	23,953	(5,504)
Long term other payable	(877)	507	121	114
Other current assets	3,192	5,896	7,401	9,840
Other current liabilities	1,188	39	1,295	5,007
Payment of severance benefits	(1,389)	(4,320)	(6,505)	(7,151)
Other	(125)	(516)	(4,471)	(1,557)
Net cash provided by (used in) operating activities before reorganization items	2,108	44,692	(18,388)	(23,711)
Cash used for reorganization items	(4,263)	(1,076)	—	—
Net cash provided by (used in) operating activities	(2,155)	43,616	(18,388)	(23,711)

	Successor	Predecessor		
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
	(In thousands of US dollars)			
Cash flows from investing activities				
Proceeds from disposal of plant, property and equipment	37	329	3,122	364
Proceeds from disposal of intangible assets	—	9,375	—	4,204
Purchase of plant, property and equipment	(1,258)	(7,513)	(28,608)	(85,294)
Payment for intellectual property registration	(70)	(366)	(1,052)	(1,256)
Decrease (increase) in restricted cash	—	11,409	(13,517)	—
Purchase of short-term financial instruments	(329)	—	—	—
Other	23	(96)	484	176
Net cash provided by (used in) investing activities	(1,597)	13,138	(39,571)	(81,806)
Cash flows from financing activities				
Proceeds from short-term borrowings	—	—	180,000	130,100
Issuance of new common units pursuant to the reorganization plan	—	35,280	—	—
Issuance of old common units	—	—	183	151
Repayment of short-term borrowings	—	(33,250)	(165,000)	(50,100)
Repurchase of old common units	—	—	(496)	(6)
Net cash provided by financing activities	—	2,030	14,687	80,145
Effect of exchange rates on cash and cash equivalents	1,098	4,758	(17,036)	544
Net increase (decrease) in cash and cash equivalents	(2,654)	63,542	(60,308)	(24,828)
Cash and cash equivalents				
Beginning of the period	67,579	4,037	64,345	89,173
End of the period	$ 64,925	$ 67,579	$ 4,037	$ 64,345
Supplemental cash flow information				
Cash paid for interest	$ 955	$ 7,962	$ 39,276	$ 57,468
Cash paid for income taxes	$ 669	$ 8,074	$ 13,207	$ 5,680

The accompanying notes are an integral part of these consolidated financial statements

MagnaChip Semiconductor LLC and Subsidiaries

Notes to Consolidated Financial Statements
(Tabular dollars in thousands, except unit data)

1. General

The Company

MagnaChip Semiconductor LLC (together with its subsidiaries, the "Company") is a Korea-based designer and manufacturer of analog and mixed-signal semiconductor products for high-volume consumer applications. The Company's business is comprised of three key segments: Display Solutions, Power Solutions and Semiconductor Manufacturing Services. The Company's Display Solutions products include display drivers for use in a wide range of flat panel displays and mobile multimedia devices. The Company's Power Solutions products include discrete and integrated circuit solutions for power management in high-volume consumer applications. The Company's Semiconductor Manufacturing Services segment provides specialty analog and mixed-signal foundry services for fabless semiconductor companies that serve the consumer, computing and wireless end markets.

2. Voluntary Reorganization under Chapter 11

On June 12, 2009, MagnaChip Semiconductor LLC (the "Parent"), MagnaChip Semiconductor B.V., MagnaChip Semiconductor S.A. and certain other subsidiaries of the Parent in the U.S. (the "Debtors"), filed a voluntary petition for relief in the U.S. Bankruptcy Court for the District of Delaware under Chapter 11 of the U.S. Bankruptcy Code. The court approved a plan of reorganization proposed by the Creditors' Committee on September 25, 2009 (the "Plan of Reorganization"), and the Plan of Reorganization became effective and the Debtors emerged from Chapter 11 reorganization proceedings (the "Reorganization Proceedings") on November 9, 2009 (the "Reorganization Effective Date"). On the Reorganization Effective Date, the Company implemented fresh-start reporting in accordance with Accounting Standards Codification ("ASC") Topic 852, "*Reorganizations*," formerly the American Institute of Certified Public Accountants' Statement of Position ("SOP") 90-7, *"Financial Reporting by Entities in Reorganization Under the Bankruptcy Code"* ("ASC 852").

All conditions required for the adoption of fresh-start reporting were met upon emergence from the Reorganization Proceedings on the Reorganization Effective Date. However, in light of the proximity of that date to the Company's October accounting period close, which was October 25, 2009, the Company elected to adopt a convenience date of October 25, 2009, (the "Fresh-Start Adoption Date") for application of fresh-start reporting. The Company believes the impact of using this convenience date is not material to the consolidated financial statements. As a result, the fair value of the Predecessor Company's assets became the new basis for the Successor Company's consolidated statement of financial position as of the Fresh-Start Adoption Date, and all operations beginning on or after October 26, 2009 are related to the Successor Company.

As a result of the application of fresh-start reporting in accordance with ASC 852, the financial statements prior to and including October 25, 2009 represent the operations of the Predecessor Company and are not comparable with the financial statements for periods on or after October 25, 2009. References to the "Successor Company" refer to the Company on or after October 25, 2009, after giving effect to the application of fresh-start reporting. References to the "Predecessor Company" refer to the Company prior to and including October 25, 2009. See "Note 3 Fresh-Start Reporting" for further details.

The Plan of Reorganization provided for the satisfaction of claims against the Debtors through (i) the issuance of a new term loan in the amount of approximately $61.8 million in complete satisfaction of the first lien lender claims arising from the senior secured credit facility, (ii) the conversion to Parent equity of all claims arising from the Second Priority Senior Secured Notes and

Senior Subordinated Notes, (iii) an offering of equity to the holders of the Second Priority Senior Secured Notes and (iv) a cash payment to holders of unsecured claims. On the Reorganization Effective Date, among other events, (i) the liens and guarantees securing the Second Priority Senior Secured Notes and Senior Subordinated Notes were released and extinguished, (ii) funds affiliated with Avenue Capital Management II, L.P. became the majority unitholder of Parent and (iii) the new term loan was evidenced by the Amended and Restated Credit Agreement dated as of November 6, 2009, by and among MagnaChip Semiconductor S.A., MagnaChip Semiconductor Finance Company, Parent, the Subsidiary Guarantors, the Lenders party thereto, and Wilmington Trust FSB, as administrative agent for the Lenders and collateral agent for the secured parties.

During the period from the date of its Chapter 11 filing to the Fresh-Start Adoption Date (the "Pre-Emergence Period"), the Company recorded interest expense on pre-petition obligations only to the extent it believed the interest would be paid during the Reorganization Proceedings. Had the Company recorded interest expense based on its pre-petition contractual obligations pursuant to its Second Priority Senior Notes and Senior Subordinated Notes, interest expense would have increased by $16,663 thousand during the ten-month period ended October 25, 2009.

In addition, the Company's Series B redeemable convertible preferred units were also subject to compromise and no dividends were accrued during the Pre-Emergence Period. Had the Company recorded dividends based on pre-petition contractual obligations, dividends accrued on preferred units would have increased by $5,502 thousand during the ten-month period ended October 25, 2009.

3. Fresh-Start Reporting

Upon emergence from the Reorganization Proceedings, the Company adopted fresh-start reporting in accordance with ASC 852. The Company's emergence from the Reorganization Proceedings resulted in a new reporting entity with no retained earnings or accumulated deficit. Accordingly, the Company's consolidated financial statements for periods prior to and including October 25, 2009 are not comparable to consolidated financial statements presented on or after October 25, 2009.

Fresh-start reporting reflects the value of the Company as determined in the confirmed Plan of Reorganization. Under fresh-start reporting, the Company's asset values were remeasured and allocated in conformity with ASC 805, *"Business Combinations,"* formerly Statements of Financial Accounting Standards ("SFAS") No. 141(R) "*Business Combinations* " ("ASC 805"). Fresh-start reporting required that all liabilities, other than deferred taxes and severance benefits, be stated at fair value or at the present values of the amounts to be paid using appropriate market interest rates. Deferred taxes are determined in conformity with ASC 740, "*Income Taxes*," formerly SFAS No. 109, "*Accounting for Income Taxes*" ("ASC 740").

Estimates of fair value represent the Company's best estimates based on its valuation models, which incorporated industry data and trends and relevant market rates and transactions. The estimates and assumptions are inherently subject to significant uncertainties and contingencies beyond the control of the Company. Accordingly, the Company cannot provide assurance that the estimates, assumptions and values reflected in the valuations will be realized, and actual results could vary materially.

To facilitate the calculation of the enterprise value of the Successor Company, the Company prepared a valuation analysis for the Successor Company's common units as of the Reorganization Effective Date. The enterprise valuation used a discounted cash flow analysis which measures the projected multi-year free cash flows of the Company to arrive at an enterprise value.

In the course of valuation analysis, financial and other information, including prospective financial information obtained from management and from various public, financial and industry sources was relied upon. The basis of the discounted cash flow analysis used in developing the total enterprise value was based on the Company's prepared projections, which included a variety of estimates and assumptions. While the Company considers such estimates and assumptions reasonable, they are inherently subject to significant business, economic and competitive uncertainties, many of which are beyond the Company's control and, therefore, may not be realized. Changes in these estimates and assumptions may have had a significant effect on the determination of the Company's fair value. The assumptions used in the calculations for the discounted cash flow analysis included projected revenue, costs and cash flows for the period from October 25, 2009 to December 31, 2009 and for the fiscal years 2010 through 2014, and represented the Company's best estimates at the time the analysis was prepared. The Company's estimates implicit in the cash flow analysis included a compound annual net sales growth rate for each reporting unit based on the Company's forecast and analysts' industry outlook and cost of sales was projected within a range on the basis of percentage of net sales from 2009 to 2014, considering current and expected cost structures. Operating expenses were projected as a percentage of net sales from 2009 to 2014 using a growth rate at a lower rate than revenue. Income taxes were calculated based on the effective tax rate, which was estimated based on the statutory tax rate and the utilization of net operating losses. The analysis also included anticipated levels of reinvestment in the Company's operations through capital expenditures and working capital investment and incremental revenue growth over the projection period. In calculating terminal value, a normalized cash flow was estimated based on the last year of the projection period and was estimated to grow in each year beyond the projection period. The discount rate was determined using the weighted average cost of capital.

The following fresh-start condensed consolidated balance sheet illustrates the financial effects on the Company resulting from the implementation of the Plan of Reorganization and the adoption of fresh-start reporting. This fresh-start condensed consolidated balance sheet reflects the effect of consummating the transactions contemplated in the Plan of Reorganization, including issuance of certain securities, incurrence of new indebtedness, discharge and repayment of old indebtedness and other cash payments.

MagnaChip Semiconductor LLC and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)
(Tabular dollars in thousands, except unit data)

The effects of the Plan of Reorganization and fresh-start reporting on the Company's condensed consolidated balance sheet are as follows:

	Predecessor October 25, 2009	Effects of Plan	Fresh-Start Valuation	Successor (*) October 25, 2009
Assets				
Current assets				
Cash and cash equivalents	$ 14,610	$ 52,969(a,b,f,j)	$ —	$ 67,579
Restricted cash	52,015	(52,015)(b)	—	—
Accounts receivable, net	89,314	—	—	89,314
Inventories, net	51,389	—	17,903(n)	69,292
Other receivables	5,189	—	—	5,189
Other current assets	17,477	(179)(c)	(1,233)(o)	16,065
Total current assets	229,994	775	16,670	247,439
Property, plant and equipment, net	172,358	—	(13,940)(p)	158,418
Intangible assets, net	26,886	—	28,314(q)	55,200
Other non-current assets	23,947	235(d)	355(r)	24,537
Total assets	$ 453,185	$ 1,010	$ 31,399	$ 485,594
Liabilities and Unitholders' Equity				
Current liabilities				
Accounts payable	$ 77,395	$ —	$ —	$ 77,395
Other accounts payable	13,515	506(e)	—	14,021
Accrued expenses	22,621	6,383(f)	—	29,004
Short-term borrowings	95,000	(95,000)(a)	—	—
Current portion of long-term debt-new	—	463(a)	—	463
Other current liabilities	3,533	—	—	3,533
Liabilities subject to compromise	798,043	(798,043)(g)	—	—
Total current liabilities	1,010,107	(885,691)	—	124,416
Long-term debt-new	—	61,287(a)	—	61,287
Accrued severance benefits, net	71,029	—	—	71,029
Other non-current liabilities	10,468	—	—	10,468
Total liabilities	1,091,604	(824,404)	—	267,200

MagnaChip Semiconductor LLC and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)
(Tabular dollars in thousands, except unit data)

	Predecessor October 25, 2009	Effects of Plan	Fresh-Start Valuation	Successor (*) October 25, 2009
Commitments and contingencies				
Series A redeemable convertible preferred units	—	—	—	—
Series B redeemable convertible preferred units subject to compromise	148,986	(148,986)(h)	—	—
Total redeemable convertible preferred units	148,986	(148,986)	—	—
Unitholders' equity				
Common units-old	52,923	(52,923)(i)	—	—
Common units-new	—	49,539(g,j)	—	49,539
Additional paid-in capital	3,383	166(s)	—	—
		(3,549)(i)	—	—
	—	2,533(g)	—	—
	—	166,322(m)	—	168,855
Retained earnings (accumulated deficit)	(964,791)	160,218(k)	—	—
	—	773,174(l)	31,399(l)	—
Accumulated other comprehensive income	121,080	(121,080)(k)	—	—
Total unitholders' equity	(787,405)	974,400	31,399	218,394
Total liabilities, redeemable convertible preferred units and unitholders' equity	$ 453,185	$ 1,010	$ 31,399	$ 485,594

(a) To record the issuance of a new term loan in the amount of $61,750 thousand and 35% cash payment of $33,250 thousand in complete satisfaction of the first lien lender claims arising from the senior secured credit facility (short-term borrowings) of $95,000 thousand. The new term loan was accounted for as current portion of long-term debt of $463 thousand and long-term debt of $61,287 thousand.

(b) Cash in Korea Exchange Bank account of $52,015 thousand, restricted under forbearance agreement, was released from restriction according to the debt restructuring by the Plan of Reorganization.

(c) To record impairment of remaining capitalized costs of $166 thousand in connection with entering into the senior secured credit facility, impairment of prepaid agency fee of $14 thousand of the senior secured credit facility and capitalization of costs of $1 thousand in connection with the issuance of the new term loan.

(d) To record capitalization of costs of $235 thousand in connection with the issuance of the new term loan.

(e) To record capitalization of costs incurred in connection with the issuance of the new term loan of $236 thousand and 10% of the general unsecured claims of $270 thousand to be settled in cash.

(f) To record professional fees of $7,459 thousand incurred in relation to the Reorganization Proceeding of which $1,076 thousand was paid in cash with the remainder of $6,383 thousand recorded as accrued expenses.

(Tabular dollars in thousands, except unit data)

(g) To record the discharge of liabilities subject to compromise of $798,043 thousand and the issuances of new common units of $14,259 thousand and new warrants of $2,533 thousand. Current portion of long-term debt of $750,000 thousand and its accrued interest of $45,341 thousand as of October 25, 2009 were discharged in exchange for new common units representing 6% of the Successor Company's outstanding common units of $14,259 thousand to two classes of creditors of the Company and new warrants representing 5% of the Successor Company's outstanding common units of $2,533 thousand to two classes of creditors of the Company. General unsecured claims of $2,702 thousand were also discharged in exchange for a cash payment equal to 10% of the allowed claims of $270 thousand.

(h) To record the retirement of Series B redeemable convertible preferred units of $148,986 thousand without consideration in accordance with the Plan of Reorganization.

(i) To record the retirement of old equity interests without consideration in accordance with the Plan of Reorganization.

(j) To record the issuances of new common units of $35,280 thousand.

(k) To record the elimination of the Predecessor Company's accumulated deficit of $160,218 thousand and accumulated other comprehensive income of $121,080 thousand.

(l) To record reorganization items, net of $804,573 thousand.

(m) To record $166,322 thousand of additional paid-in capital. Reconciliation of total enterprise value to the reorganization value of the Company, determination of goodwill and additional paid-in capital and allocation of the total enterprise value to common unitholders are as below:

Total value attributable to debt and equity (1)	$	212,564
Plus: cash and cash equivalents		67,579
Plus: liabilities		205,451
Reorganization value of the Company's total assets		485,594
Fair value of the Company's total assets		485,594
Goodwill	$	—
Reorganization value of the Company's total assets	$	485,594
Less: liabilities		(205,450)
Less: new term loan		(61,750)
New warrants issued		2,533
New common units		49,539
Additional paid-in capital	$	166,322
Enterprise value allocated to common unitholders	$	215,861

(1) The Plan of Reorganization, which was confirmed by the bankruptcy court, includes an estimated total value attributable to debt and equity of $225.0 million. This amount does not include cash balances and non-financial liabilities as of the Reorganization Effective Date.

(n) To record the fair value of inventories, net, as estimated by the Predecessor Company, fair value of finished goods was estimated by subtracting from average selling prices the sum of costs of disposal and a reasonable profit allowance for the selling effort. Fair value of work-in-process was estimated by subtracting from average selling prices the sum of costs to complete, costs of disposal and a reasonable profit allowance for the completing and selling effort based on profit for similar finished goods. Fair value of raw materials was estimated by current replacement costs.

(Tabular dollars in thousands, except unit data)

(o) To record the fair value of advance payments as estimated by the Predecessor Company in conjunction with an independent third party valuation specialist. For the value of advance payments, the Orderly Liquidation Value ("OLV") was estimated using the cost and market approaches.

(p) To record the fair value of property, plant and equipment, net as estimated by the Predecessor Company in conjunction with an independent third party valuation specialist. For the value of certain fixed assets, the OLV was estimated using the cost and market approaches. This premise of value was chosen given the fact that the Company was just emerging from bankruptcy proceedings.

(q) To record the fair value of intangible assets, net as estimated by the Predecessor Company. Discrete valuations of each of the reporting units' identified intangible assets related to technology, contracts, trade names, customer-based intangible assets and acquired in-process research and development ("IPR&D") were performed using the excess earnings method or the royalty savings method.

(r) To record the Predecessor Company's other non-current assets at their estimated fair value using observable market data.

(s) To record the immediately recognized unit-based compensation of $166 thousand, which is attributable to old unit options which were cancelled without consideration in accordance with the Plan of Reorganization.

(*) The following table summarizes the allocation of fair value of the assets and liabilities at emergence as shown in the reorganized consolidated balance sheet as of October 25, 2009:

Cash and cash equivalents	$ 67,579
Accounts receivable, net	89,314
Inventories, net	69,292
Other receivables	5,189
Other current assets	16,065
Property, plant and equipment, net	158,418
Intangible assets, net	55,200
Other non-current assets	24,537
Total assets	485,594
Less: current liabilities (including current portion of long-term debt)	(124,416)
Less: long-term debt	(61,287)
Less: non-current liabilities	(81,497)
Total liabilities assumed	(267,200)
Net assets acquired	$ 218,394

4. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP").

In preparing the consolidated financial statements for the Predecessor Company and Successor Company, the Company applied ASC 852, which requires that the financial statements for periods

subsequent to the Chapter 11 filing distinguish transactions and events that were directly associated with the reorganization from the ongoing operations of the business. Accordingly, certain expenses, realized gains and losses and provisions for losses that were realized or incurred in the Reorganization Proceedings were recorded in reorganization items, net on the accompanying consolidated statements of operations.

Significant accounting policies followed by the Company in the preparation of the accompanying consolidated financial statements are summarized below.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company including its wholly-owned subsidiaries. All significant intercompany transactions and balances are eliminated in consolidation.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the accompanying consolidated financial statements and disclosures. The most significant estimates and assumptions relate to the fair valuation of acquired assets and assumed liabilities, fair valuation of common units, the useful life of property, plant and equipment, allowance for uncollectible accounts receivable, contingent liabilities, inventory valuation, restructuring accrual and impairment of long-lived assets. Although these estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future, actual results may be different from the estimates.

Foreign Currency Translation

The Company has assessed in accordance with ASC Topic 830, *"Foreign Currency Matters,"* formerly SFAS No. 52, "*Foreign Currency Translation"* ("ASC 830"), the functional currency of each of its subsidiaries in Luxembourg, the Netherlands and the United Kingdom and has designated the U.S. dollar to be their respective functional currencies. The Company and its other subsidiaries are utilizing their local currencies as their functional currencies. The financial statements of the subsidiaries in functional currencies other than the U.S. dollar are translated into the U.S. dollar in accordance with ASC 830. All the assets and liabilities are translated to the U.S. dollar at the end-of-period exchange rates. Capital accounts are determined to be of a permanent nature and are therefore translated using historical exchange rates. Revenues and expenses are translated using average exchange rates for the respective periods. Foreign currency translation adjustments arising from differences in exchange rates from period to period are included in the foreign currency translation adjustment account in accumulated comprehensive income (loss) of unitholders' equity. Gains and losses due to transactions in currencies other than the functional currency are included as a component of other income (expense) in the statement of operations.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with an original maturity date of three months or less.

(Tabular dollars in thousands, except unit data)

Restricted Cash

Restricted cash of $11,768 thousand as of December 31, 2008 was cash in Korea Exchange Bank account and restricted in use according to the forbearance agreement with secured parties in relation to short-term borrowings of $95,000 thousand. Deposit accounts maintained with Korea Exchange Bank were subject to a perfected lien in the name of the collateral trustee for the benefit of the secured parties and were frozen pursuant to the terms of an acceleration notice.

According to the debt restructuring by the Plan of Reorganization as described in Note 3, cash in Korea Exchange Bank account of $52,015 thousand was released from restriction on the Reorganization Effective Date.

Accounts Receivable Reserves

An allowance for doubtful accounts is provided based on the aggregate estimated uncollectability of the Company's accounts receivable. The Company records an allowance for cash returns, included within accounts receivable, net, based on the historical experience of the amount of goods that will be returned and refunded. In addition, the Company also includes in accounts receivable, an allowance for additional products that may have to be provided, free of charge, to compensate customers for products that do not meet previously agreed yield criteria, the low yield compensative reserve.

Inventories

Inventories are stated at the lower of cost or market, using the average cost method, which approximates the first in, first out method ("FIFO"). If net realizable value is less than cost at the balance sheet date, the carrying amount is reduced to the realizable value, and the difference is recognized as a loss on valuation of inventories within cost of sales. Inventory reserves are established when conditions indicate that the net realizable value is less than costs due to physical deterioration, obsolescence, changes in price levels, or other causes based on individual facts and circumstances. Reserves are also established for excess inventory based on inventory levels in excess of six months of projected demand, as judged by management, for each specific product.

In addition, as prescribed in ASC 330, *"Inventory,"* formerly SFAS No. 151 "*Inventory costs*," the cost of inventories is determined based on the normal capacity of each fabrication facility. In case the capacity utilization is lower than a certain level that management believes to be normal, the fixed overhead costs per production unit which exceeds those under normal capacity are charged to cost of sales rather than capitalized as inventories.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as set forth below.

Buildings	30 - 40 years
Building related structures	10 - 20 years
Machinery and equipment	5 - 10 years
Vehicles and others	5 years

Routine maintenance and repairs are charged to expense as incurred. Expenditures that enhance the value or significantly extend the useful lives of the related assets are capitalized.

Borrowing costs incurred during the construction period of assets are capitalized as part of the related assets.

Impairment of Long-Lived Assets

The Company reviews property, plant and equipment and other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with ASC 360, "*Property, Plant and Equipment*," formerly SFAS No. 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets*" ("ASC 360"). Recoverability is measured by comparing its carrying amount with the future net cash flows the assets are expected to generate. If such assets are considered to be impaired, the impairment is measured as the difference between the carrying amount of the assets and the fair value of assets using the present value of the future net cash flows generated by the respective long-lived assets.

Restructuring Charges

The Company recognizes restructuring charges in accordance with ASC 420, *"Exit or Disposal Cost Obligations,"* formerly SFAS No. 146, "*Accounting for Costs Associated with Exit or Disposal Activities"* ("ASC 420"). Certain costs and expenses related to exit or disposal activities are recorded as restructuring charges when liabilities for those costs and expenses are incurred.

Lease Transactions

The Company accounts for lease transactions as either operating leases or capital leases, depending on the terms of the underlying lease agreements. Machinery and equipment acquired under capital lease agreements are recorded at the lower of the present value of future minimum lease payments and estimated fair value of leased property. Property, plant and equipment are depreciated using the straight-line method over their estimated useful lives. In addition, the aggregate lease payments are recorded as capital lease obligations, net of unaccrued interest. Interest is amortized over the lease period using the effective interest rate method. Leases that do not qualify as capital leases are classified as operating leases, and the related rental payments are expensed on a straight-line basis over the shorter of the estimated useful lives of leased property and lease term.

Software

The Company capitalizes certain external costs that are incurred to purchase and implement internal-use computer software. Direct costs relating to the development of software for internal use are capitalized after technological feasibility has been established, in accordance with ASC 350, "*Intangibles-Goodwill and Other*," formerly Statements of Position ("SOP") No. 98-1, "*Accounting for the Costs of Computer Software Developed or Obtained for Internal Use"* ("ASC 350"). Depreciation is calculated on a straight-line basis over the software's estimated useful life, which is usually five years.

Intangible Assets

Intangible assets other than intellectual property include technology and customer relationships which are amortized on a straight-line basis over periods ranging from four to eight years. Other intellectual property assets acquired represent rights under patents, trademarks and property use rights and are amortized over the periods of benefit, ranging up to ten years, on a straight-line basis.

Goodwill

Goodwill is evaluated for impairment by comparing the fair value and carrying amount of the reporting unit to which the goodwill relates. Specifically, the Company uses the two-step method for evaluating goodwill for impairment as prescribed in ASC 350, *"Intangibles-Goodwill and Other,"* formerly SFAS No. 142 "*Goodwill and Other Intangible Assets*" ("ASC 350"). In the first step, the fair value of a reporting unit is compared to the carrying amount of such reporting unit. If the carrying amount exceeds the fair value, a potential impairment condition exists. In the second step, impairment is measured as the excess of the carrying amount of reporting unit goodwill over the implied fair value of reporting unit goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired, and thus the second step of the impairment test is unnecessary.

Fair Value Disclosures of Financial Instruments

The Company has adopted and follows ASC 820, "*Fair Value Measurements and Disclosures*" ("ASC 820") for measurement and disclosures about fair value of its financial instruments. ASC 820 establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of fair value hierarchy defined by ASC 820 are:

Level 1 — Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 — Inputs (other than quoted market prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Level 3 — Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model. Valuation of instruments includes unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities.

As defined by ASC 820, the fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale, which was further clarified as the price that would be received to sell an asset or paid to transfer a liability ("an exit price") in an orderly transaction between market participants at the measurement date. The carrying amounts of the Company's financial assets and liabilities, such as cash and cash equivalents, accounts receivable, other receivables, accounts payable and other accounts payable approximate their fair values because of the short maturity of these instruments.

The fair value of the Successor Company's available for sale securities is based on the quoted prices in an active market and was $0.7 million as of December 31, 2009. The estimated fair value of the Predecessor Company's debt was $33.5 million as of December 31, 2008. The fair value estimates presented herein were based on market interest rates and other market information available to management as of each balance sheet date presented. The use of different market assumptions and/or estimation methodologies could have a material effect on the estimated fair value amounts. Approximate fair values do not take into consideration expenses that could be incurred in an

actual settlement. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

Accrued Severance Benefits

The majority of accrued severance benefits is for employees in the Company's Korean subsidiary. Pursuant to the Employee Retirement Benefit Security Act of Korea, most employees and executive officers with one or more years of service are entitled to severance benefits upon the termination of their employment based on their length of service and rate of pay. As of December 31, 2009, 98% of all employees of the Company were eligible for severance benefits.

Accrued severance benefits are funded through a group severance insurance plan. The amounts funded under this insurance plan are classified as a reduction of the accrued severance benefits. Subsequent accruals are to be funded at the discretion of the Company.

In accordance with the National Pension Act of the Republic of Korea, a certain portion of accrued severance benefits is deposited with the National Pension Fund and deducted from the accrued severance benefits. The contributed amount is paid to employees from the National Pension Fund upon their retirement.

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, the product has been delivered and title and risk of loss have transferred, the price is fixed and determinable, and collection of the resulting receivable is reasonably assured. Utilizing these criteria, product revenue is recognized either upon shipment, upon delivery of the product at the customer's location or upon customer acceptance, depending on the terms of the arrangements, when the risks and rewards of ownership have passed to the customer. In accordance with revenue recognition guidance, any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer is presented in the statements of income on a net basis (excluded from revenues).

The Company's customers can return defective products, including products that do not meet the yield criteria. The Company accrues for the estimated costs that may be incurred for the defective products. In addition, the Company offers discounts to customers who make early payments. The Company estimates the amount to be paid to customers based on historical experience and expected rate of discount. The estimated discount amount is recorded as a deduction from net sales.

All amounts billed to a customer related to shipping and handling are classified as sales while all costs incurred by the Company for shipping and handling are classified as selling expenses. The amounts charged to selling expenses were $207 thousand, $752 thousand, $1,295 thousand and $1,407 thousand for the two-month period ended December 31, 2009, for the ten-month period ended October 25, 2009 and for the years ended December 31, 2008 and 2007, respectively.

Derivative Financial instruments

The Company applies the provisions of ASC 815, *"Derivatives and Hedging,"* formerly SFAS No. 133, *"Accounting for Derivative Instruments and Hedging Activities"* ("ASC 815"). This Statement requires the recognition of all derivative instruments as either assets or liabilities measured at fair value.

Under the provisions of ASC 815, the Company may designate a derivative instrument as hedging the exposure to variability in expected future cash flows that are attributable to a particular risk (a "cash flow hedge") or hedging the exposure to changes in the fair value of an asset or a liability (a "fair value hedge"). Special accounting for qualifying hedges allows the effective portion of a derivative instrument's gains and losses to offset related results on the hedged item in the consolidated statements of operations and requires that a company formally document, designate and assess the effectiveness of the transactions that receive hedge accounting treatment. Both at the inception of a hedge and on an ongoing basis, a hedge must be expected to be highly effective in achieving offsetting changes in cash flows or fair value attributable to the underlying risk being hedged. If the Company determines that a derivative instrument is no longer highly effective as a hedge, it discontinues hedge accounting prospectively and future changes in the fair value of the derivative are recognized in current earnings. The Company assesses hedge effectiveness at the end of each quarter.

In accordance with ASC 815, changes in the fair value of derivative instruments that are cash flows hedges are recognized in accumulated other comprehensive income (loss) and reclassified into earnings in the period in which the hedged item affects earnings. Ineffective portions of a derivative instrument's change in fair value are immediately recognized in earnings. Derivative instruments that do not qualify, or cease to qualify, as hedges must be adjusted to fair value and the adjustments are recorded through net income (loss).

Advertising

The Company expenses advertising costs as incurred. Advertising expense was approximately $25 thousand, $70 thousand, $165 thousand and $146 thousand for the two-month period ended December 31, 2009, for the ten-month period ended October 25, 2009 and for the years ended December 31, 2008 and 2007, respectively.

Product Warranties

The Company records, in other current liabilities, warranty liabilities for the estimated costs that may be incurred under its basic limited warranty. This warranty covers defective products, and related liabilities are accrued when product revenues are recognized. Factors that affect the Company's warranty liability include historical and anticipated rates of warranty claims and repair costs per claim to satisfy the Company's warranty obligation. As these factors are impacted by actual experience and future expectations, the Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts when necessary.

Research and Development

Research and development costs are expensed as incurred and include wafers, masks, employee expenses, contractor fees, building costs, utilities and administrative expenses. Acquired IPR&D assets are considered indefinite-lived intangible assets and are not subject to amortization. An IPR&D asset must be tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test consists of a comparison of the fair value of the IPR&D asset with its carrying amount. If the carrying amount of the IPR&D asset exceeds its fair value, an impairment loss must be recognized in an amount equal to that excess. After an impairment loss is recognized, the adjusted carrying amount of the IPR&D asset will be its new accounting basis. Subsequent reversal of a previously recognized impairment loss is prohibited. The initial determination and subsequent evaluation for impairment of the IPR&D asset

requires management to make significant judgments and estimates. Once the IPR&D projects have been completed or abandoned, the useful life of the IPR&D asset is determined and amortized accordingly.

Licensed Patents and Technologies

The Company has entered into a number of royalty agreements to license patents and technology used in the design and manufacture of its products. The payments under these agreements include an initial payment to acquire the rights, and a royalty payment calculated based upon the sales of the related products. The initial payments, usually paid in installments, represent a non-refundable commitment, such that the total present value of these payments is recorded as a liability upon execution of the agreement, and the costs are deferred over the period of the agreement. The royalty payments are charged to the statements of operations as incurred.

Unit-Based Compensation

The Company follows the provisions of ASC 718, *"Compensation-Stock Compensation,"* formerly SFAS 123(R), "*Share-Based Payment (revised 2004)*" ("ASC 718"). Under ASC 718, unit-based compensation cost is measured at grant date, based on the fair value of the award, and is recognized as expense over the requisite service period. As permitted under ASC 718, the Company elected to recognize compensation expense for all options with graded vesting based on the graded attribution method.

The Company uses the Black-Scholes option pricing-model to measure the grant-date-fair-value of options. The Black-Scholes model requires certain assumptions to determine an option's fair value, including expected term, risk free interest, expected volatility and fair value of underlying common unit. The expected term of each option grant was based on employees' expected exercises and post-vesting employment termination behavior and the risk free interest rate was based on the U.S. Treasury yield curve for the period corresponding with the expected term at the time of grant. The expected volatility was estimated using historical volatility of share prices of similar public entities. No dividends were assumed for this calculation of option value. The Company estimates the fair value of the underlying common unit because there is no public trading market for its common units.

Earnings per Unit

In accordance with ASC 260, *"Earnings Per Share,"* formerly SFAS No. 128, "*Earnings Per Share*" (ASC 260), the Company computes basic earnings from continuing operations per unit and basic earnings per unit by dividing income from continuing operations available to common unitholders and net income available to common unitholders, respectively, by the weighted average number of common units outstanding during the period which would include, to the extent their effect is dilutive, redeemable convertible preferred units, options to purchase common units and restricted units. Diluted earnings per unit reflect the dilution of potential common units outstanding during the period. In determining the hypothetical units repurchased, the Company uses the average unit price for the period.

Income Taxes

MagnaChip Semiconductor LLC has elected to be treated as a partnership for U.S. federal income tax purposes and therefore is not subject to income taxes on its income. Taxes on its income are the responsibility of the individual equity owners of MagnaChip Semiconductor LLC. The Company operates a number of subsidiaries that are subject to local income taxes in those markets.

The Company accounts for income taxes in accordance with ASC 740, *"Income Taxes,"* formerly SFAS No. 109, "*Accounting for Income Taxes"* ("ASC 740"). ASC 740 requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in a company's financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based upon the difference between the financial statement carrying amounts and the tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable for the period and the change during the period in deferred tax assets and liabilities.

The Company follows Financial Accounting Standards Board ("FASB") interpretation No. 48, "*Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109,*" codified as ASC 740, which prescribes a recognition threshold and measurement attribute for tax positions taken or expected to be taken in a tax return. This interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The evaluation of a tax position in accordance with this interpretation is a two-step process. In the first step, recognition, the Company determines whether it is more-likely-than-not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The second step addresses measurement of a tax position that meets the more-likely-than-not criteria. The tax position is measured at the largest amount of benefit that has a likelihood of greater than 50 percent of being realized upon ultimate settlement. Differences between tax positions taken in a tax return and amounts recognized in the financial statements will generally result in (a) an increase in a liability for income taxes payable or a reduction of an income tax refund receivable, (b) a reduction in a deferred tax asset or an increase in a deferred tax liability or (c) both (a) and (b). Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be de-recognized in the first subsequent financial reporting period in which that threshold is no longer met. Use of a valuation allowance as described in ASC 740 is not an appropriate substitute for the de-recognition of a tax position. The requirement to assess the need for a valuation allowance for deferred tax assets based on sufficiency of future taxable income is unchanged by this interpretation.

Segment Information

The Company has determined, based on the nature of its operations and products offered to customers, that its reportable segments are Display Solutions, Semiconductor Manufacturing Services and Power Solutions. The Display Solutions segment's primary products are flat panel display drivers and the Semiconductor Manufacturing Services segment provides for wafer foundry services to clients. The Power Solutions segment's products are designed for applications such as mobile phones, LCD televisions and desktop computers, and allow electronics manufacturers to achieve specific design goals of high efficiency and low standby power consumption. Net sales and gross profit for the "All other" category primarily relate to certain business activities that do not constitute operating or reportable segments.

The Company's chief operating decision maker ("CODM") as defined by ASC 280, *"Segment Reporting,"* formerly SFAS 131, "*Disclosure about Segments of an Enterprise and Related Information*" ("ASC 280"), allocates resources to and assesses the performance of each segment using information about its revenue and gross profit. The Company does not identify or allocate assets by segments, nor does the CODM evaluate operating segments using discrete asset information. In

addition, the Company does not allocate operating expenses, interest income or expense, other income or expense, or income tax expenses to the segments. Management does not evaluate segments based on these criteria.

On October 6, 2008, the Company announced the closure of its Imaging Solutions reporting unit. As of December 31, 2008, the Imaging Solutions business segment qualified as a discontinued operation component of the Company under ASC 360, *"Property, Plant and Equipment,"* formerly SFAS No. 144, *"Accounting for the Impairment or Disposal of Long-Lived Assets"* ("ASC 360"). Accordingly, the results of operations of the Imaging Solutions business and reportable segment have been classified as discontinued operations. All prior period information has been reclassified to reflect this presentation on the statements of operations. Unless noted otherwise, discussions in these notes pertain to the Company's continuing operations.

Concentration of Credit Risk

The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral for customers on accounts receivable. The Company maintains reserves for potential credit losses, but historically has not experienced significant losses related to individual customers or groups of customers in any particular industry or geographic area. The Company derives a substantial portion of its revenues from export sales through its overseas subsidiaries in Asia, North America and Europe.

Recent Accounting Pronouncements

In June 2009, the FASB issued the Accounting Standards Codification ("ASC") Subtopic 105 "*Generally Accepted Accounting Principles*," which establishes the Accounting Standards Codification as the single source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The subsequent issuances of new standards will be in the form of Accounting Standards Updates that will be included in the codification. This guidance is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of this guidance did not have a material effect on the Company's consolidated financial position, results of operations or cash flows, since the codification is not intended to change GAAP.

In May 2009, the FASB issued authoritative guidance included in ASC Subtopic 855 "*Subsequent Events*," which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date, but before financial statements are issued or are available to be issued. Specifically, this guidance provides (i) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; (ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and (iii) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. This guidance is effective for interim or annual financial periods ending after June 15, 2009, and is to be applied prospectively. The adoption of this guidance did not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

In December 2007, the FASB issued ASC 805, *"Business Combinations,"* formerly Statements of Financial Accounting Standards ("SFAS") No. 141 (revised 2007), "*Business Combinations*" ("ASC

805"), which replaces FASB Statement No. 141. ASC 805 establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the goodwill acquired. This guidance also establishes disclosure requirements that enable users to evaluate the nature and financial effects of the business combination. ASC 805 is effective as of the beginning of an entity's fiscal year that begins after December 15, 2008. This guidance requires the fair value of acquired IPR&D to be recorded as indefinite lived intangibles. IPR&D was previously expensed at the time of the acquisition. The adoption of ASC 805 had a material impact on the Company's consolidated financial position and results of operations through the recognition of $9.7 million of IPR&D as intangibles.

In December 2007, the FASB issued ASC 810, *"Consolidation,"* formerly SFAS No. 160, "*Noncontrolling Interests in Consolidated Financial Statement — amendments of ARB No. 51"* ("ASC 810"). ASC 810 states that accounting and reporting for minority interests will be recharacterized as noncontrolling interests and classified as a component of equity. ASC 810 also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. ASC 810 applies to all entities that prepare consolidated financial statements, except not-for-profit organizations, but will affect only those entities that have an outstanding noncontrolling interest in one or more subsidiaries or that deconsolidate a subsidiary. This guidance is effective as of the beginning of an entity's first fiscal year beginning after December 15, 2008. The adoption of ASC 810 did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

The Company adopted the provisions of ASC 820, *"Fair Value Measurements and Disclosures,"* formerly SFAS No. 157, "*Fair Value Measurements*" ("ASC 820") on January 1, 2008 and January 1, 2009 for financial assets and liabilities and for nonfinancial assets and liabilities, respectively. ASC 820 defines fair value, establishes a market-based framework or hierarchy for measuring fair value and expands disclosures about fair value measurements. ASC 820 is applicable whenever another accounting pronouncement requires or permits assets and liabilities to be measured at fair value. ASC 820 does not expand or require any new fair value measures, however the application of this guidance may change current practice. The adoption of ASC 820 did not have a material effect on the Company's financial condition or results of operations.

In April 2008, the FASB issued ASC 350, *"Intangibles-Goodwill and Other,"* formerly FSP FAS 142-3, "*Determination of the Useful Life of Intangible Assets*." ASC 350 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, "*Goodwill and Other Intangible Assets*." ASC 350 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The adoption of ASC 350 did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In June 2009, the FASB issued ASC 810, *"Consolidation,"* formerly SFAS No. 167, "*Amendments to FASB Interpretation No. 46(R)*" ("SFAS No. 167") ("ASC 810"), which (1) replaces the quantitative-based risks and rewards calculation for determining whether an enterprise is the primary beneficiary in a variable interest entity with an approach that is primarily qualitative, (2) requires ongoing assessments of whether an enterprise is the primary beneficiary of a variable interest entity and (3) requires additional disclosures about an enterprise's involvement in variable interest entities. The Company is required to adopt ASC 810 as of the beginning of 2010. The Company is evaluating the potential impact the adoption of ASC 810 will have on its consolidated financial statements.

(Tabular dollars in thousands, except unit data)

5. Reorganization Related Items

In accordance with ASC 852, the financial statements for the Predecessor Company periods distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the Company. In connection with the bankruptcy proceedings, implementation of the Plan of Reorganization and adoption of fresh-start reporting, the Company recorded the following reorganization income (expense) items:

	Predecessor Ten-Month Period Ended October 25, 2009
Professional fees	$ (7,459)
Revaluation of assets	31,399
Effects of the plan of reorganization	780,981
Write-off of debt issuance costs	(166)
Others	(182)
Total	$804,573

Included in reorganization items, net for the ten-month period ended October 25, 2009 was the Predecessor Company's gain recognized from the effects of the Plan of Reorganization. The gain results from the difference between the Predecessor Company's carrying amount of remaining pre-petition liabilities subject to compromise and the amounts to be distributed pursuant to the Plan of Reorganization. The gain from the effects of the Plan of Reorganization is comprised of the following:

	Predecessor Ten-Month Period Ended October 25, 2009
Discharge of liabilities subject to compromise	$798,043
Issuance of new common units	(14,259)
Issuance of new warrants	(2,533)
Accrual of amounts to be settled in cash	(270)
Gain from the effects of the Plan of Reorganization	$780,981

Liabilities subject to compromise represent the liabilities of the Company incurred prior to the petition date, except those that will not be impaired under the Plan of Reorganization. Liabilities subject to compromise consisted of the following at October 25, 2009.

	Predecessor October 25, 2009
General unsecured claims	$ 2,702
Current portion of long-term debt-old	750,000
Accrued interest on current portion of long-term debt	45,341
Total	$798,043

6. Fair Value Measurements

ASC 820 defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements about fair value measurements. The Company adopted ASC 820 on January 1, 2008 for financial assets and liabilities and non-financial assets and liabilities. ASC 820 requires, among other things, the Company's valuation techniques used to measure fair value to maximize the use of observable inputs and minimize the use of unobservable inputs. This guidance was applied prospectively to the valuation of assets and liabilities on and after the effective dates of this guidance.

There are three general valuation techniques that may be used to measure fair value, as described below:

(A) Market approach — Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

(B) Cost approach — Based on the amount that currently would be required to reproduce or replace the service capacity of an asset (reproduction cost or replacement cost); and

(C) Income approach — Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques, option-pricing models, the excess earnings method, and the royalty savings method).

I. Net present value method is an income approach where a stream of expected cash flows is discounted at an appropriate discount rate.

II. The excess earnings method is a variation of the income approach where the value of a specific asset is isolated from its contributory assets.

III. The royalty savings method is a variation of the income approach where the underlying premise is that an intangible asset's fair value is equal to the present value of the cost savings (royalties) achieved by owning the asset.

Fair value information for each major category of assets and liabilities measured on a nonrecurring basis as part of fresh-start reporting during the period is listed in the following table. The Company remeasured its assets and liabilities at fair value on the Reorganization Effective Date as required by ASC 852 using the guidance for measurement found in ASC 805. The gains and losses

MagnaChip Semiconductor LLC and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)
(Tabular dollars in thousands, except unit data)

related to these fair value adjustments were recorded by the Predecessor Company. Assets and liabilities measured at fair value on a nonrecurring basis during the period included:

	Successor					
	As of October 25, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Gains (Losses)	Valuation Technique
ASSETS						
Other current assets	$ 439			$ 439	$ (1,233)	(B), (C)-I
Inventories						
Finished goods	10,078		$ 10,078		2,557	(A), (C)-I
Semi-finished goods and work-in-process	52,309		52,309		15,346	(A), (B), (C)-I
Property, plant and equipment						
Land	14,902			14,902	5,091	(A), (C)-I
Building	71,007			71,007	(25,113)	(A), (C)-I
Furniture and fixture	1,435			1,435	(4,771)	(B), (C)-I
Machinery and equipment	69,664			69,664	14,867	(B), (C)-I
Structure	119			119	(1,814)	(B), (C)-I
Other tangible assets	1,291			1,291	(2,200)	((B), (C)-I
Intangible assets						
Core technology	5,200			5,200	1,295	(C)-I, III
Existing technology	11,800			11,800	11,800	(C)-I, II
In-process research and development	9,700			9,700	9,700	(C)-I, II
Backlog	6,400			6,400	6,400	(C)-I, II
Customer relationships	19,700			19,700	(3,268)	(C)-I, II
Trademarks	2,400			2,400	2,387	(C)-I, III
Other non-current assets	2,270		2,270		355	(A)
					$ 31,399	

Carrying amounts of the other assets and liabilities except those in the above table equal their fair values.

For details of key assumptions and inputs applied by the Company for above fair valuation, see “Note 3 Fresh-Start Reporting.”

(Tabular dollars in thousands, except unit data)

7. Accounts Receivable

Accounts receivable as of December 31, 2009 and 2008 consisted of the following:

	Successor	Predecessor
	December 31, 2009	December 31, 2008
Accounts receivable	$74,516	$67,186
Notes receivable	3,260	12,450
Less:		
Allowances for doubtful accounts	(377)	(1,569)
Cash return reserve	(1,729)	(671)
Low yield compensation reserve	(1,437)	(1,101)
Accounts receivable, net	$74,233	$76,295

Changes in allowance for doubtful accounts for each period are as follows:

	Successor	Predecessor		
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Beginning balance	$ —	$(1,569)	$(1,367)	$(1,418)
Bad debt expense	(379)	(723)	(503)	(161)
Write off	—	—	104	208
Translation adjustments	2	(40)	197	4
Ending balance	$(377)	$(2,332)	$(1,569)	$(1,367)

Changes in cash return reserve for each period are as follows:

	Successor	Predecessor		
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Beginning balance	$(1,545)	$ (671)	$ (914)	$(1,450)
Addition to reserve	(648)	(4,476)	(3,385)	(2,509)
Payment made	484	3,722	3,393	3,040
Translation adjustments	(20)	(120)	235	5
Ending balance	$(1,729)	$(1,545)	$ (671)	$ (914)

(Tabular dollars in thousands, except unit data)

Changes in low yield compensation reserve for each period are as follows:

	Successor	Predecessor		
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Beginning balance	$(1,213)	$(1,101)	$(1,260)	$(2,482)
Addition to reserve	(715)	(1,759)	(1,854)	(1,307)
Payment made	507	1,724	1,663	2,523
Translation adjustments	(16)	(77)	350	6
Ending balance	$(1,437)	$(1,213)	$(1,101)	$(1,260)

8. Inventories

Inventories as of December 31, 2009 and 2008 consist of the following:

	Successor	Predecessor
	December 31, 2009	December 31, 2008
Finished goods	$19,474	$ 22,694
Semi-finished goods and work-in-process	42,604	49,814
Raw materials	5,844	7,471
Materials in-transit	64	206
Less: inventory reserve	(4,579)	(33,075)
Inventories, net	$63,407	$ 47,110

Changes in inventory reserve for each period are as follows:

	Successor	Predecessor		
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Beginning balance	$ —	$(33,075)	$ (8,620)	$(11,652)
Reversal of (addition to) reserve	(4,952)	8,081	(34,869)	1,101
Write off	391	11,297	4,992	1,888
Translation adjustments	(18)	17	5,422	43
Ending balance	$(4,579)	$(13,680)	$(33,075)	$ (8,620)

(Tabular dollars in thousands, except unit data)

9. Property, Plant and Equipment

Property, plant and equipment as of December 31, 2009 and 2008 are comprised of the following:

	Successor	Predecessor
	December 31, 2009	December 31, 2008
Buildings and related structures	$ 72,076	$ 111,933
Machinery and equipment	71,505	318,440
Vehicles and others	3,043	40,422
	146,624	470,795
Less: accumulated depreciation	(5,388)	(296,038)
Land	15,101	9,198
Property, plant and equipment, net	$156,337	$ 183,955

Aggregate depreciation expenses totaled $5,389 thousand, $28,649 thousand, $47,707 thousand and $129,870 thousand for the two-month period ended December 31, 2009, for the ten-month period ended October 25, 2009 and for the years ended December 31, 2008 and 2007, respectively.

Property, plant and equipment are pledged as collateral for the new term loan of Successor Company and for the senior secured revolving credit facility and Second Priority Senior Secured Notes of Predecessor Company to a maximum of $780 million as of December 31, 2009 and 2008, respectively.

10. Intangible assets

Intangible assets at December 31, 2009 and 2008 are as follows:

	Successor	Predecessor
	December 31, 2009	December 31, 2008
Technology	$14,942	$ 14,156
Customer relationships	26,448	112,167
Intellectual property assets	4,779	6,011
In-process research and development	9,829	—
Less: accumulated amortization	(5,840)	(97,442)
Intangible assets, net	$50,158	$ 34,892

Aggregate amortization expenses for intangible assets totaled $5,829 thousand, $9,606 thousand, $24,254 thousand and $33,564 thousand for the two-month period ended December 31, 2009, for the ten-month period ended October 25, 2009 and for the years ended December 31, 2008 and 2007, respectively. The estimated aggregate amortization expense of intangible assets for the next five years is $25,182 thousand in 2010, $11,328 thousand in 2011, $6,402 thousand in 2012, $5,554 thousand in 2013 and $1,096 thousand in 2014.

Intangible assets are pledged as collateral for the new term loan of the Successor Company and for the senior secured revolving credit facility and Second Priority Senior Secured Notes of the Predecessor Company as of December 31, 2009 and 2008, respectively.

As part of its application of fresh-start reporting, the Company recognized fair value associated with IPR&D of $9,700 thousand. Fair value of IPR&D was based on estimating the future cash flows by the Company's semiconductor manufacturing services ("SMS") and large display solution ("LDS") reporting units using the excess earnings method and discounting the net cash flows back to their present values. The revenues were allocated to IPR&D of the SMS reporting unit on the basis of percentage of projected SMS revenues for 2010, 2011 and thereafter. Selling, general and administrative ("SG&A") expenses as a percentage of revenue were determined to be consistent with the cost structure of SMS. Research and development ("R&D") expenses as a percentage of revenue were determined to be a percentage of the projected R&D expenses. This percentage represents the cost to maintain IPR&D. The cost to complete the IPR&D was derived based on the R&D expenses in the subsequent period not used to maintain existing technology. The estimated cash flows attributable to the IPR&D were converted to a present value equivalent. IPR&D of the LDS reporting unit is expected to generate revenue over a two-year time frame starting with its introduction to the market in 2010. The revenues allocated to IPR&D of the LDS reporting unit were determined to be a percentage of the projected LDS revenues in 2010 and 2011. Costs of revenues and operating expenses were deducted from the revenues based on LDS cost structure as a percentage of revenue. While SG&A expenses as a percentage of revenue were determined to be the same as the whole business, maintenance R&D expenses were determined to be a percentage of the projected R&D expenses. The cost to complete the IPR&D project was estimated based on the R&D budget less the amount of R&D dedicated to maintaining the existing technology. The estimated cash flows attributable to the IPR&D of LDS reporting unit were converted to a present value equivalent.

The Company recorded goodwill as a result from the acquisition of ISRON Corporation on March 6, 2005. On an ongoing basis, the Company evaluates goodwill at the reporting unit level for indications of potential impairment. Goodwill is tested for impairment based on the present value of discounted cash flows, and, if impaired, goodwill is written down to fair value. The Company performs its annual goodwill impairment test during the first quarter of each fiscal year, as well as additional impairment tests, if any, required on an event-driven basis. In the first quarter of each of fiscal year 2008, 2007 and 2006, the Company performed its annual goodwill impairment test and determined that goodwill was not impaired. As of December 31, 2008, the Company performed an additional goodwill impairment test triggered by the significant adverse change in the revenue of the mobile display solutions, or MDS, reporting unit, and determined that goodwill was impaired. At the time of impairment, revenue of the MDS reporting unit was expected to decrease due to the deterioration of the Company's financial credit status and the decline of the semiconductor sector resulting from the world-wide economic slowdown. Accordingly, an impairment charge of $14,245 thousand, which represents the entire balance of goodwill, was recorded for the year ended December 31, 2008.

(Tabular dollars in thousands, except unit data)

11. Product Warranties

Changes in accrued warranty liabilities for each period are as follows:

	Successor	Predecessor		
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Beginning balance	$929	$ 474	$ 211	$ 112
Addition to warranty reserve	(16)	1,928	2,608	586
Payments made	(4)	(1,544)	(2,243)	(486)
Translation adjustments	12	71	(102)	(1)
Ending balance	$921	$ 929	$ 474	$ 211

12. Short-term Borrowings

Predecessor Company

On December 23, 2004, the Company and its subsidiaries, including MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, as borrowers, entered into a senior credit agreement with a syndicate of banks, financial institutions and other entities providing for a $100 million senior secured revolving credit facility. Interest was charged at current rates when drawn upon.

Short-term borrowings under this facility were comprised of the following as of December 31, 2008:

	Maturity	Annual Interest Rate (%)	Amount of Principal
Euro dollar revolving loan	January 15, 2009	3 month LIBOR + 6.75	$10,000
Alternate Base Rate (“ABR”) revolving loan	March 31, 2009	ABR + 5.75	85,000
			$95,000

As discussed in Note 2, on the Reorganization Effective Date, $61,750 thousand of these short-term borrowings was refinanced with a new term loan and the remainder of $33,250 thousand was repaid in cash as part of the Company’s reorganization.

13. Current Portion of Long-term Debt

Successor Company

The current portion of the new term loan issued in connection with the Company’s reorganization was $618 thousand as of December 31, 2009, as described in Note 14.

Predecessor Company

On December 23, 2004, two of the Company’s subsidiaries, MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, issued $500 million aggregate principal amount of Second Priority Senior Secured Notes consisting of $300 million aggregate principal amount of Floating Rate Second Priority Senior Secured Notes and $200 million aggregate principal amount of

MagnaChip Semiconductor LLC and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)
(Tabular dollars in thousands, except unit data)

6 7/8% Second Priority Senior Secured Notes. At the same time, these subsidiaries issued $250 million aggregate principal amount of 8% Senior Subordinated Notes.

Details of the current portion of long-term debt as of December 31, 2008 are presented as below:

	Maturity	Annual Interest Rate (%)	Amount of Principal
Floating Rate Second Priority Senior Secured Notes	2011	3 month LIBOR + 3.250	$ 300,000
6 7/8% Second Priority Senior Secured Notes	2011	6.875	200,000
8% Senior Subordinated Notes	2014	8.000	250,000
			$ 750,000

The senior secured revolving credit facility and Second Priority Senior Secured Notes were collateralized by substantially all of the assets of the Company. This indebtedness was initially expected to be paid in full upon maturity.

Each indenture governing the notes contained covenants that limited the ability of the Company and its subsidiaries to (i) incur additional indebtedness, (ii) pay dividends or make other distributions on its capital stock or repurchase, repay or redeem its capital stock, (iii) make certain investments, (iv) incur liens, (v) enter into certain types of transactions with affiliates, (vi) create restrictions on the payment of dividends or other amounts to the Company by its subsidiaries, and (vii) sell all or substantially all of its assets or merge with or into other companies.

As of December 31, 2008, the Company and all of its subsidiaries except for MagnaChip Semiconductor (Shanghai) Company Limited jointly and severally guaranteed each series of the Second Priority Senior Secured Notes on a second priority senior secured basis. As of December 31, 2008, the Company and all of its subsidiaries except for MagnaChip Semiconductor Ltd. (Korea) and MagnaChip Semiconductor (Shanghai) Company Limited jointly and severally guaranteed the Senior Subordinated Notes on an unsecured, senior subordinated basis. In addition, the Company and each of its then current and future direct and indirect subsidiaries (subject to certain exceptions) were required to be guarantors of Second Priority Senior Secured Notes and Senior Subordinated Notes.

During December 2008, the Company failed to make interest payments under its Second Priority Senior Secured Notes and Senior Subordinated Notes. Additionally, as of December 31, 2008, the Company was not in compliance with certain of its financial covenants under the terms of its senior secured credit facility, and the indentures governing the Second Priority Senior Secured Notes and the Senior Subordinated Notes. Accordingly, amounts outstanding under the Second Priority Senior Secured Notes and Senior Subordinated Notes were reclassified as current portion of long-term debt in the Company's accompanying balance sheet as of December 31, 2008.

In connection with the issuance of the notes and entering into the credit facility, the Company capitalized certain costs and fees, which were being amortized using the effective interest method or straight-line method over their respective terms. As a result of not being in compliance with certain of its financial covenants under the terms of its senior secured credit facility and the indentures governing the Second Priority Senior Secured Notes and Senior Subordinated Notes, the remaining capitalized costs of $12,319 thousand in connection with the issuance of the Second Priority Senior Secured Notes and Senior Subordinated Notes as of December 31, 2008 were written off and included in interest expense. Amortization costs, which were included in interest expense in the

accompanying consolidated statements of operations, amounted to $836 thousand for the ten-month period ended October 25, 2009, and $16,290 thousand and $3,919 thousand for the years ended December 31, 2008 and 2007, respectively. As of October 25, 2009, the remaining capitalized costs of $166 thousand in connection with the entrance into the credit facility were written off and included in reorganization items, net, in accordance with the Plan of Reorganization as described in Notes 3 and 5. The remaining capitalized costs as of December 31, 2008 and 2007 were $1,004 thousand and $17,917 thousand, respectively.

As of October 25, 2009, the current portion of long-term debt of $750,000 thousand and accrued interest of $45,341 thousand were discharged in exchange for new common units with a fair value of $14,259 thousand and new warrants with a fair value of $2,533 thousand as part of the Company's reorganization as described in Notes 3 and 5.

Interest Rate Swap

Effective June 27, 2005, the Company entered into an interest rate swap agreement (the "Swap") to hedge the effect of the volatility of the 3-month London Inter-Bank Offering Rate ("LIBOR") resulting from the Company's $300 million of Floating Rate Second Priority Senior Secured Notes. Under the terms of the Swap, the Company received a variable interest rate equal to the three-month LIBOR rate plus 3.25%. In exchange, the Company paid interest at a fixed rate of 7.34%. The Swap effectively replaced the variable interest rate on the notes with a fixed interest rate through the expiration date of the Swap on June 15, 2008.

The Swap qualified as a cash flow hedge under ASC 815, since at both the inception of the hedge and on an ongoing basis, the hedging relationship was expected to be highly effective in achieving offsetting cash flows attributable to the hedged risk during the term of the hedge. The Company utilized the "hypothetical derivative method" to measure the effectiveness by comparing the changes in value of the actual derivative versus the change in fair value of the "hypothetical derivative."

14. Long-term Debt

Successor Company

In connection with the Predecessor Company's reorganization as described in Note 3, in complete satisfaction of the first lien lender claims arising from the senior secured credit facility (included in short-term borrowings) of $95,000 thousand, the Company made a cash payment of $33,250 thousand to the senior secured credit facility lenders and, together with its subsidiaries, including MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company, as borrowers, entered into a $61,750 thousand Amended and Restated Credit Agreement (the "Credit Agreement" or the "new term loan") with Avenue Investments, LP, Goldman Sachs Lending Partners LLC and Citicorp North America, Inc.

Long-term borrowings as of December 31, 2009 consisted of Eurodollar loans at an annual interest rate of 6 month LIBOR + 12% to Avenue Investments, LP, Goldman Sachs Lending Partners LLC and Citicorp North America, Inc. in the principal amount of $42,055 thousand, $12,285 thousand and $7,410 thousand, respectively. After deducting the current portion of long-term debt of $618 thousand, long-term borrowings as of December 31, 2009 were $61,132 thousand.

The Company may by written notice to the administrative agent elect to request the establishment of one or more new term loan or revolving loan commitments (the "Incremental Loan

Commitments") by an amount not in excess of $23,250 thousand in the aggregate less any incremental loans incurred after the effective date of the new term loan.

The principal balance of the new term loan is to be paid in quarterly installments of approximately $154 thousand with the first installment due on March 31, 2010, and ending with the last installment due on September 30, 2013. In addition, the Credit Agreement has optional and mandatory loan prepayment provisions as follows:

Optional Prepayments. The Company has the right at any time and from time to time to prepay the new term loan, in whole or in part.

Excess Cash Flow Prepayments. Not later than 90 days after the end of each fiscal year (commencing with the fiscal year ending December 31, 2010), the Company shall calculate the amount of Excess Cash Flow (as defined in the Credit Agreement) for such fiscal year, and shall prepay the new loan in an amount equal to the amount by which (A) 50% of such Excess Cash Flow exceeds (B) the sum of (x) the aggregate principal amount of voluntary prepayments of the new term loan during such fiscal year, and (y) in the case of the fiscal year ending December 31, 2010, the aggregate principal amount of any Early Excess Cash Flow Prepayments (as defined in the Credit Agreement), which is equal to the amount of dividends paid and the amount of subordinated indebtedness payments made on or prior to 90 days after the end of such fiscal year, or an Excess Cash Flow Prepayment; provided, that if the amount in clause (B) exceeds the amount in clause (A), no such prepayment of the new term loan is required.

Asset Sales. Not later than three business days following the receipt of any net cash proceeds of any asset sale, the Company shall make (with certain exceptions) prepayments in an aggregate amount equal to 100% of such net cash proceeds from such asset sale.

Dividend or Subordinated Indebtedness Payment. Concurrently with the making of any dividend and any subordinated indebtedness payment, in each case from any Cumulative Credit (as defined in the Credit Agreement) prior to the date that the first Excess Cash Flow Prepayment is required to be made, the Company shall make prepayments of the outstanding term loan in an amount equal to the amount of such dividend or subordinated indebtedness payment, as the case may be.

Casualty Events. Not later than three business days following the receipt by the Company of any net cash proceeds from a casualty event in excess of $3,000 thousand, the Company must use the full amount of such net cash proceeds to: (i) make prepayments of the outstanding term loan, or (ii) so long as no default shall have occurred and be continuing, repair, replace or restore the property in respect of which such net cash proceeds were repaid or reinvested in other fixed or capital assets no later than 360 days following receipt thereof.

The Company is required to pay the balance of the Credit Agreement, if any, on November 6, 2013. The Credit Agreement is collateralized by substantially all of the assets of the Company.

The Credit Agreement contains covenants that limit the ability of the Company and its subsidiaries to (i) incur additional indebtedness, (ii) pay dividends or make other distributions on its capital stock or repurchase, repay or redeem its capital stock, (iii) make certain investments, (iv) incur liens, (v) enter into certain types of transactions with affiliates, (vi) create restrictions on the payment of dividends or other amounts to the Company by its subsidiaries, (vii) sell all or substantially all of its assets or merge with or into other companies, (viii) issue specific equity interests and (ix) establish, create or acquire any additional subsidiaries. It also contains a minimum liquidity financial covenant and compliance with financial ratios.

(Tabular dollars in thousands, except unit data)

As of December 31, 2009, the Company and all of its subsidiaries except for MagnaChip Semiconductor (Shanghai) Company Limited jointly and severally guaranteed, as a primary obligor, the payment and performance of the borrower's obligations under the Credit Agreement.

In connection with the entrance into the Credit Agreement, the Company capitalized certain costs and fees, which are being amortized using the straight-line method over the term of loan. Amortization costs, which were included in interest expense in the accompanying consolidated statements of operations, amounted to $0.3 thousand for the two-month period ended December 31, 2009, and total remaining capitalized costs as of December 31, 2009 were $235 thousand.

15. Accrued Severance Benefits

The majority of accrued severance benefits is for employees in the Company's Korean subsidiary, MagnaChip Semiconductor Ltd. (Korea). Pursuant to the Employee Retirement Benefit Security Act of Korea, most employees and executive officers with one or more years of service are entitled to severance benefits upon the termination of their employment based on their length of service and rate of pay. As of December 31, 2009, 98% of all employees of the Company were eligible for severance benefits.

Changes in accrued severance benefits for each period are as follows:

	Successor	Predecessor		
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Beginning balance	$72,243	$63,147	$ 75,869	$64,642
Provisions	1,851	8,835	14,026	18,834
Severance payments	(1,389)	(4,320)	(6,505)	(7,151)
Translation adjustments	941	4,581	(20,243)	(456)
	73,646	72,243	63,147	75,869
Less: Cumulative contributions to the National Pension Fund	(530)	(533)	(539)	(784)
Group severance insurance plan	(707)	(681)	(669)	(909)
	$72,409	$71,029	$ 61,939	$74,176

The severance benefits are funded approximately 1.68%, 1.91% and 2.23% as of December 31, 2009, 2008 and 2007, respectively, through the Company's National Pension Fund and group severance insurance plan which will be used exclusively for payment of severance benefits to eligible employees. These amounts have been deducted from the accrued severance benefit balance.

(Tabular dollars in thousands, except unit data)

The Company is liable to pay the following future benefits to its employees upon their normal retirement age:

	Severance Benefit
2010	$ 33
2011	69
2012	135
2013	—
2014	279
2015 - 2019	8,332

The above amounts were determined based on the employees' current salary rates and the number of service years that will be accumulated upon their retirement dates. These amounts do not include amounts that might be paid to employees that will cease working with the Company before their normal retirement ages.

16. Redeemable Convertible Preferred Units

Predecessor Company

The Company issued 49,727 units as Series A redeemable convertible preferred units (the "Series A units") and 447,420 units as Series B redeemable convertible preferred units (the "Series B units") on September 23, 2004 and an additional 364 units of Series A units and 3,272 units of Series B units on November 30, 2004, respectively. Each Series A and Series B unit had a stated value of $1,000 per unit. As the Series A and B units were redeemable at the option of the holders, the Company classified the Series A units and B units outside of permanent equity. All Series A units were redeemed by cash on December 27, 2004 and a portion of the Series B units were redeemed by cash on December 15, 2004 and December 27, 2004.

Changes in Series B units for each period are as follows:

	Predecessor					
	Ten-Month Period Ended October 25, 2009		Year Ended December 31, 2008		Year Ended December 31, 2007	
	Units	Amount	Units	Amount	Units	Amount
Series B Units						
Beginning of the period	93,997	$142,669	93,997	$129,405	93,997	$117,374
Accrual of preferred dividends	—	6,317	—	13,264	—	12,031
End of the period	93,997	$148,986	93,997	$142,669	93,997	$129,405

The Series B units were issued to the original purchasers of the Company in 2004. Holders of Series B units were entitled to receive cumulative dividends, whether or not earned or declared by the board of directors. The cumulative cash dividends accrued at the rate of 10% per unit per annum on the Series B units' original issue price, compounded semi-annually.

The Series B units, which had a carrying amount of $148,986 thousand, were retired without consideration as part of the Company's reorganization as described in Note 3.

Conversion

The outstanding Series B units were convertible, in whole or in part, into common equity interests upon or concurrently with the first public offering of the common equity interests of the Company at the Company's option or the holder's option based on a formula, represented by the conversion ratio. The conversion ratio for the Series B units was an amount equal to the original issue price per unit plus an amount per unit equal to full cumulative dividends accrued and unpaid to the date of the consummation of the first public offering, divided by the per common equity interest price to the public in the Company's first public offering of equity securities.

Dividends

Holders of Series B units were entitled to receive cumulative dividends, whether or not earned or declared by the board of directors. The cumulative cash dividends accrued at the rate of 10% per unit per annum on the Series B units original issue price, compounded semi-annually. Such dividends were payable in semi-annual installments in arrears commencing March 15, 2005.

Liquidation

In the event of liquidation, the holders of Series B units were entitled to receive after all creditors of the Company have been paid in full but before any amounts were paid to the holders of any units ranking junior to the Series B units with respect to dividends or upon liquidation (including common units), out of the assets of the Company legally available for distribution to its members, whether from capital, surplus or earnings, an amount equal to the Series B units original issue price in cash per unit plus an amount equal to full cumulative dividends accrued and unpaid thereon to the date of final distribution, and no more. If the net assets of the Company were insufficient to pay the holders of all outstanding Series B units and of any units ranking on parity with the Series B units, the full amounts to which they respectively were entitled, such assets, or the proceeds thereof, were to be distributed ratably among the holders of the Series B units and any units ranking on parity with the Series B units in accordance with the amounts which would be payable on such distribution if the amount to which the holders of the Series B units and any units ranking on a parity with the Series B units were entitled to be paid in full.

Voting

As provided in Predecessor Company's operating agreement, the holders of Series B units were not entitled to vote on any matter submitted to a vote of the Predecessor Company's members, and were not entitled to notice of any meeting of members.

Redemption

If any outstanding Series B units had remained outstanding on the 14th anniversary after issuance of the Series B units, then the holders of a majority of the then outstanding Series B units had the right to elect to have the Company redeem all outstanding Series B units from funds legally available, at a price per unit equal to $1,000 plus an amount per unit equal to full cumulative dividends accrued and unpaid thereon to the redemption date.

Also the Series B units were redeemable from funds legally available, in whole or in part, at the election of the Company, expressed by resolution of its board of directors, at any time and from time to time at a price of $1,000 per unit plus any cumulative accrued and unpaid dividends.

(Tabular dollars in thousands, except unit data)

17. Warrants

Successor Company

In connection with the Company's reorganization, the Company issued warrants to purchase 15,000 thousand of the Company's new common units. The warrants were issued in partial satisfaction of the claims of the holders of the Company's Senior Subordinated Notes and are exercisable at a price of $1.97 per unit at any time following the issue date of the warrants, so long as the exercise of the warrants is exempt from the registration requirements of the Securities Act of 1933, as amended. The value of each warrant to purchase one common unit is $0.169, which was estimated using the Black-Scholes option pricing model using the following assumptions: fair value of $0.79 per common unit, exercise price of $1.97 per unit, risk free rate of interest of 2.3%, volatility of 50%, dividend rate of 0% and term of 5 years.

18. Common Units

Successor Company

New common units with no par value were authorized in the amount of 375,000 thousand units, of which 307,084 thousand units were issued and outstanding as of December 31, 2009. Details of new common units as of December 31, 2009 are as follows:

	As of December 31, 2009	
	Units	Amount
Common units at the beginning of the period	299,999,996	$ 49,539
Restricted unit bonuses issued	7,084,000	5,596
Total common units issued and outstanding at the end of the period	307,083,996	$ 55,135

19. Equity Incentive Plans

Successor Company

The Successor Company adopted its 2009 Common Unit Plan effective December 8, 2009, which is administered by the board of directors. Under the plan, employees, consultants and non-employee directors are eligible for equity incentives, including grants of options to purchase the Company's common units or restricted unit bonuses or restricted unit purchase rights and deferred units awards, subject to terms and conditions determined by the board of directors. The term of options shall not exceed ten years from the date of grant. Restricted unit purchase rights shall be exercisable within a period established by the board of directors, which shall in no event exceed thirty days from the effective date of the grant. As of December 31, 2009, an aggregate maximum of 30,000,000 units were authorized and 7,551,000 units were reserved for all future grants of units.

Unit options are generally granted with exercise prices of no less than the fair market value of the Company's common units on the grant date. The requisite service period, or the period during which a grantee is required to provide service in exchange for option grants, coincides with the vesting period.

The purchase price for units issuable under each restricted unit purchase right shall be established by the board of directors in its discretion. No monetary payment (other than applicable tax

withholding) shall be required as a condition of receiving units pursuant to a restricted unit bonus, the consideration for which shall be services actually rendered to a participating company or for its benefit. Units issued pursuant to any restricted unit award may (but need not) be made subject to vesting conditions based upon the satisfaction of such service requirements, conditions, restrictions or performance criteria as shall be established by the board of directors and set forth in the award agreement evidencing such award. During any period in which units acquired pursuant to a restricted unit award remain subject to vesting conditions, such units may not be sold, exchanged, transferred, pledged, assigned or otherwise disposed of other than pursuant to an ownership change event or transfer by will or the laws of descent and distribution. The grantee shall have all of the rights of a member of the Company holding units, including the right to vote such units and to receive all dividends and other distributions paid with respect to such units; provided, however, that if so determined by the board of directors and provided by the award agreement, such dividends and distributions shall be subject to the same vesting conditions as the units subject to the restricted unit award with respect to which such dividends or distributions were paid. If a grantee's service terminates for any reason, whether voluntary or involuntary (including the grantee's death or disability), then (a) the Company (or its assignee) has the option to repurchase for the purchase price paid by the grantee any units acquired by the grantee pursuant to a restricted unit purchase right which remain subject to vesting conditions as of the date of the grantee's termination of service and (b) the grantee shall forfeit to the Company any units acquired by the grantee pursuant to a restricted unit bonus which remain subject to vesting conditions as of the date of the grantee's termination of service. The Company shall have the right to assign at any time any repurchase right it may have, whether or not such right is then exercisable, to one or more persons as may be selected by the Company.

No monetary payment (other than applicable tax withholding, if any) is required as a condition of receiving a deferred unit award, the consideration for which shall be services actually rendered to a participating company or for its benefit. Deferred unit awards may (but need not) be made subject to vesting conditions based upon the satisfaction of such service requirements, conditions, restrictions or performance criteria as shall be established by the Committee and set forth in the award agreement evidencing such award. Grantees have no voting rights with respect to units represented by deferred unit awards until the date of the issuance of such units (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). If a grantee's service terminates for any reason, whether voluntary or involuntary (including the grantee's death or disability), then the grantee shall forfeit to the Company any deferred units pursuant to the award which remain subject to vesting conditions as of the date of the grantee's termination of service, and, in the event of the grantee's termination for cause, such deferred unit award to the extent not yet settled. The Company shall issue to a grantee on the date on which deferred units subject to the grantee's deferred unit award vest or on such other date determined by the board of directors, in its discretion, and set forth in the award agreement one unit (and/or any other new, substituted or additional securities or other property) for each deferred unit then becoming vested or otherwise to be settled on such date, subject to the withholding of applicable taxes, if any.

MagnaChip Semiconductor LLC and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)
(Tabular dollars in thousands, except unit data)

The following summarizes unit option and restricted unit bonus activities for the two-month period ended December 31, 2009. At the date of grant, all options had an exercise price above the fair value of common units:

	Successor Company				
	Number of Restricted Unit Bonuses	Number of Options	Weighted Average Exercise Price of Unit Options	Aggregate Intrinsic Value of Unit Options	Weighted Average Remaining Contractual Life of Unit Options
Outstanding at October 25, 2009	—	—	—		
Granted	7,084,000	15,365,000	$1.16		
Released from restriction	2,408,560	—			
Outstanding at December 31, 2009	4,675,440	15,365,000	1.16	—	9.9 years
Vested and expected to vest at December 31, 2009		13,553,302		—	9.9 years
Exercisable at December 31, 2009		—		—	—

Total compensation expenses recorded for the restricted unit bonuses and unit options pursuant to ASC 718 for the two-month period ended December 31, 2009 was $2,073 thousand and $126 thousand, respectively. As of December 31, 2009, there were $3,243 thousand and $2,811 thousand of total unrecognized compensation cost related to unvested restricted unit bonuses and unit options, which are expected to be recognized over a weighted average future periods of 1.4 years and 1.7 years, respectively. Total fair value of restricted unit bonuses released from restriction for the period from October 25 to December 31, 2009 is $1,903 thousand.

The Company utilizes the Black-Scholes option-pricing model to measure the fair value of each option grant. The following summarizes the grant-date fair value of options granted for the two-month period ended December 31, 2009 and assumptions used in the Black-Scholes option-pricing model on a weighted average basis:

	Two-Month Period Ended December 31, 2009
Grant-date fair value of option (in US dollars)	$ 0.22
Expected term	2.9 Years
Risk-free interest rate	0.6%
Expected volatility	59.1%
Expected dividends	—

(Tabular dollars in thousands, except unit data)

The number and weighted average grant-date fair value of the unit options are as follows:

	Two-Month Period Ended December 31, 2009	
	Number	Weighted Average Grant-Date Fair Value
Unvested options at the beginning of the period	—	$ —
Granted options during the period	15,365,000	0.22
Vested options during the period	—	—
Unvested options at the end of the period	15,365,000	0.22

Predecessor Company

The Predecessor Company adopted two equity incentive plans effective October 6, 2004 and March 21, 2005, respectively, which were administered by the compensation committee designated by the board of directors. Employees, consultants and non-employee directors were eligible for the grant of options to purchase the Company's common units or restricted common units subject to terms and conditions determined by the compensation committee. The term of options could in no event exceed ten years from the date of grant. As of December 31, 2008, an aggregate maximum of 7,890,864 common units were authorized and reserved for all future and outstanding grants of options.

Unit options were generally granted with exercise prices of no less than the fair market value of the Company's common units on the grant date. Generally, options vested and became exercisable in periodic installments, with 25% of the options vesting on the first anniversary of the grant date and 6.25% of options vesting on the last day of each calendar quarter thereafter. In most cases, the requisite service period, or the period during which a grantee was required to provide service in exchange for option grants, coincided with the vesting period.

Upon the termination of a unit option grantee's employment prior to a public offering, the Company had the right to repurchase all or any of the common units acquired by the grantee upon exercise of any of his or her options for a cash payment equal to the fair market value of such common units on the date of repurchase. The Company's repurchase right would terminate ninety days after the termination date.

During the three months ended December 31, 2004, restricted units were issued upon the exercise of certain options to purchase restricted common units at the exercise price of $1 per unit. Restricted units issued were subject to restrictions which generally lapsed in installments over a four-year period. Under the terms and conditions of these restricted units, the restricted units were subject to forfeiture upon the termination of the restricted unitholder's employment with the Company. Upon termination, the Company could repurchase all, or any portion of the restricted common units for either $1 per unit (the exercise price) or the fair market value of the restricted common units at the time of repurchase. If the termination was for cause, as defined in the service agreements entered into with each restricted unitholder, the repurchase price per unit would be $1. However, if the termination was for any other reason, then the Company could repurchase all or any portion of the restricted units for which the restricted period had not lapsed as of the date of termination for a repurchase price per unit of $1, and could repurchase all or any portion of the restricted common units for which the restricted period had lapsed as of the date of termination for a repurchase price per unit equal to fair market value. Termination for "cause" was defined in the service agreements to mean a termination of the restricted unitholder's employment with the Company because of (a) a failure by the restricted unitholder to substantially perform the restricted unitholder's customary duties

(Tabular dollars in thousands, except unit data)

with the Company in the ordinary course (other than in certain specified circumstances); (b) the restricted unitholder's gross negligence, intentional misconduct or fraud in the performance of his or her employment; (c) the restricted unitholder's indictment for a felony or to a crime involving fraud or dishonesty; (d) a judicial determination that the restricted unitholder committed fraud or dishonesty against any person or entity; or (e) the restricted unitholder's material violation of one or more of the Company's policies applicable to the restricted unitholder's employment as may be in effect from time to time.

The Predecessor Company adopted fresh-start reporting (see Note 3) as of October 25, 2009, at which time it effectively cancelled all unit options under the Predecessor Company's equity incentive plans.

The following summarizes unit option and restricted unit activities for the ten-month period ended October 25, 2009 and for the year ended December 31, 2008. At the date of grant, all options had an exercise price at or above the fair value of common units:

	Predecessor Company				
	Number of Restricted Units	Number of Options	Weighted Average Exercise Price of Unit Options	Aggregate Intrinsic Value of Unit Options	Weighted Average Remaining Contractual Life of Unit Options
Outstanding at January 1, 2008	268,343	4,916,840	$1.9		
Granted	—	315,000	5.8		
Exercised	—	161,460	1.1	$ 787	
Forfeited/Repurchased	—	853,780	3.1		
Released from restriction	268,343	—			
Outstanding at December 31, 2008	—	4,216,600	1.9	15,118	6.9 years
Vested and expected to vest at December 31, 2008		3,973,510	1.9	14,412	6.9 years
Exercisable at December 31, 2008		3,085,038	1.7	11,827	6.6 years
Outstanding at January 1, 2009	—	4,216,600	1.9		
Granted	—	—	—		
Exercised	—	—	—	—	
Forfeited / Repurchased	—	391,500	2.5		
Released from restriction	—	—			
Outstanding at October 25, 2009 (Predecessor Company)	—	3,825,100	1.9	—	6.1 years
Application of fresh-start reporting (Note 4)	—	(3,825,100)			
Outstanding at October 25, 2009 (Successor Company)	—	—			

Total compensation expenses recorded for the restricted units and unit options pursuant to ASC 718 were $0 and $233 thousand for the ten-month period ended October 25, 2009, $16 thousand and $449 thousand for the year ended December 31, 2008 and $328 thousand and $276 thousand for the year ended December 31, 2007, respectively. As of October 25, 2009, total unrecognized compensation cost related to unvested unit options of $166 thousand, which were expected to be recognized over a weighted average future period of 0.7 years, was recognized as reorganization items, net, according to the Company's reorganization. As of December 31, 2008, there was $335

(Tabular dollars in thousands, except unit data)

thousand of total unrecognized compensation cost related to unvested unit options, which were expected to be recognized over a weighted average future period of 1.0 years. Total fair value of restricted units released from restriction for the year ended December 31, 2008 was $152 thousand. Total fair value of options vested for the ten-month period ended October 25, 2009 and for the year ended December 31, 2008 was $266 thousand and $408 thousand, respectively.

The Company utilizes the Black-Scholes option-pricing model to measure the fair value of each option grant. The following summarizes the grant-date fair value of options granted during the specified periods and assumptions used in the Black-Scholes option-pricing model on a weighted average basis:

	Predecessor	
	Year Ended December 31, 2008	December 31, Year Ended 2007
Grant-date fair value of option	$ 0.87	$ 0.67
Expected term	2.2 Years	2.1 Years
Risk-free interest rate	2.5%	4.4%
Expected volatility	42.0%	46.6%
Expected dividends	—	—

The total cash received from employees as a result of option exercises was $0, $184 thousand and $151 thousand for the ten-month period ended October 25, 2009 and for the years ended December 31, 2008 and 2007, respectively.

The number and weighted average grant-date fair value of the unit options are as follows:

	Ten-Month Period Ended October 25, 2009		Year Ended December 31, 2008		Year Ended December 31, 2007	
	Number	Weighted Average Grant-Date Fair Value	Number	Weighted Average Grant-Date Fair Value	Number	Weighted Average Grant-Date Fair Value
Unvested options at the beginning of the period	1,131,563	$ 0.65	2,374,896	$ 0.43	3,481,528	$ 0.29
Granted options during the period	—	—	315,000	0.87	710,000	0.67
Vested options during the period	520,969	0.51	1,108,772	0.31	1,339,570	0.23
Forfeited options during the period	391,500	0.17	853,780	0.51	737,750	0.23
Unvested options at the end of the period	547,438	0.88	1,131,563	0.65	2,374,896	0.43

20. Discontinued Operations

On October 6, 2008, the Company announced the closure of its Imaging Solutions business segment. As of December 31, 2008, Imaging Solutions business segment qualified as a discontinued operation component of the Company under ASC 360, *"Property, Plant and Equipment,"* formerly SFAS No. 144, *"Accounting for the Impairment or Disposal of Long-Lived Assets"* ("ASC 360"). As a

(Tabular dollars in thousands, except unit data)

result, the results of operations of the Imaging Solutions business segment were classified as discontinued operations. All prior period information has been reclassified to reflect this presentation on the statements of operations.

The results of operations of the Company's discontinued Imaging Solutions business consist of the following:

	Successor	Predecessor		
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Net sales	$947	$ 2,728	$ 65,862	$ 82,848
Cost of sales	369	3,617	81,789	75,930
Selling, general and administrative expenses	68	(6,355)	3,491	10,280
Research and development expenses	—	—	37,506	48,058
Restructuring and impairment charges	—	(1,120)	34,158	—
Income tax expenses	—	—	373	304
Income (loss) from discontinued operations, net of taxes	$510	$ 6,586	$(91,455)	$(51,724)

During the third quarter ended September 27, 2009, the Company renewed the CAD software license use agreement with Synopsys. During the quarter ended December 31, 2008, the Company recorded as restructuring charges the remaining license fee of the agreement, which was applied to the Imaging Solutions business segment due to the closure of the segment. However, given the renewal of the agreement during the third quarter of 2009, the Company reversed $1,120 thousand of accrued restructuring charges.

In connection with the closure of its Imaging Solutions business segment, the Company recorded impairment charges of $26,285 thousand during the third quarter ended September 28, 2008, in accordance with ASC 360. Also, the Company recorded restructuring charges of $7,873 thousand during the fourth quarter ended December 31, 2008, in accordance with ASC 420, *"Exit or Disposal Cost Obligations,"* formerly SFAS No. 146, "*Accounting for Costs Associated with Exit or Disposal Activities"* ("ASC 420"), related to one-time employee termination benefits, costs associated with the closing of the facilities and contract terminations. Actual payments of $4,989 thousand were charged against the restructuring accruals and the remaining accrual balance as of December 31, 2008 was $2,584 thousand.

21. Restructuring and Impairment Charges

Predecessor Company

2009 Restructuring and Impairment Charges

On March 31, 2009, the Company announced the closure of the Tokyo office of its subsidiary, MagnaChip Semiconductor Inc. (Japan). In connection with this closure, the Company recognized $439 thousand of restructuring charges, which consisted of one-time termination benefits and other related costs under ASC 420 for the ten-month period ended October 25, 2009. Actual payments of $439 thousand were charged against the restructuring accruals and there were no remaining restructuring accruals as of December 31, 2009.

2008 Restructuring and Impairment Charges

During the three months ended July 1, 2007, the Company recognized $1,978 thousand of restructuring accruals under ASC 420. The restructuring charges were related to the closure of the Company's five-inch wafer fabrication facilities located in Gumi and those charges consisted of one-time termination benefits and other associated costs. Up to the first quarter of 2008, actual payments of $1,103 were charged against the restructuring accruals and the Company believes the restructuring activities were substantially completed as of March 30, 2008. Accordingly, the Company reversed $875 thousand of unused restructuring accruals.

As of December 31, 2008, the Company performed an additional goodwill impairment test triggered by the significant adverse change in the revenue of the MDS reporting unit, and determined that total amount of goodwill was impaired. Revenue of the MDS reporting unit was expected to decrease due to the deterioration of the Company's financial credit status and the recession in the semiconductor industry resulting from the world-wide economic crisis beginning in the third quarter of 2008. Accordingly, an impairment charge of $14,245 thousand was recorded for the year ended December 31, 2008.

2007 Restructuring and Impairment Charges

During the year ended December 31, 2007, the Company recorded restructuring and impairment charges totaling $12,084 thousand, which included $10,106 thousand of impairment charges under ASC 360 and $1,978 thousand of restructuring charges under ASC 420. The impairment charges and restructuring charges that were recorded related to the closure of the Company's five-inch wafer fabrication facilities located in Gumi (the "asset group") that had generated losses and no longer supported the Company's strategic technology roadmap.

ASC 360 requires the Company to evaluate the recoverability of certain long-lived assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The net book value of the asset group before the impairment charges as of July 1, 2007 was approximately $10,228 thousand.

The impairment charge was measured as the excess of the carrying amount of the asset group over its fair value. The fair value of the asset group was estimated using a present value technique, where expected future cash flows from the use and eventual disposal of the asset group were discounted by an interest rate commensurate with the risk of the cash flows.

22. Income Taxes

The Company's income tax expenses are composed of domestic and foreign income taxes depending on the relevant tax jurisdiction. "Domestic" refers to the income before taxes, current income taxes and deferred income taxes generated or incurred in the United States, where the Parent resides.

MagnaChip Semiconductor LLC and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)
(Tabular dollars in thousands, except unit data)

The components of income tax expense are as follows:

	Successor	Predecessor		
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Income (loss) from continuing operations before income taxes				
Domestic	$ (4)	$774,188	$ 18,442	$ 16,031
Foreign	(523)	67,627	(332,696)	(136,022)
	$ (527)	$841,815	$(314,254)	$(119,991)
Current income taxes expense (benefits)				
Domestic	$ 16	$ (143)	$ 1,335	$ 230
Foreign	1,244	6,033	8,530	8,103
Uncertain tax position liability (domestic)	9	256	92	—
Uncertain tax position liability (foreign)	23	95	138	163
	1,292	6,241	10,095	8,496
Deferred income taxes expense (benefits)				
Domestic	—	—	—	—
Foreign	654	1,054	1,490	339
	654	1,054	1,490	339
Total income tax expense	$1,946	$ 7,295	$ 11,585	$ 8,835

The Parent is a limited liability company and a non-taxable entity for US tax purposes, and thus the Company expects statutory income tax rate to be zero. MagnaChip Semiconductor, Ltd. (Korea) is the principal operating entity within the consolidated Company. The statutory income tax rate of MagnaChip Semiconductor, Ltd. (Korea), including tax surcharges, applicable to the consolidated Company was approximately 24.2% in 2009 and 27.5% in 2008 and 2007. MagnaChip Semiconductor, Ltd. (Korea) was eligible for a tax exemption for companies qualified as direct foreign investments under the Korean tax code until 2008, and, accordingly, its corporate income tax was reduced by 30% from 2007 to 2008.

MagnaChip Semiconductor LLC and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)
(Tabular dollars in thousands, except unit data)

The provision for domestic and foreign income taxes incurred is different from the amount calculated by applying the statutory tax rate to the net income before income taxes. The significant items causing this difference are as follows:

	Successor	Predecessor		
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Provision computed at statutory rate	$ —	$ —	$ —	$ —
Permanent differences	(693)	(19,500)	(1,076)	4,831
Change in statutory tax rate	(265)	118	8,173	(18,242)
Adjustment for overseas tax rate	3,139	8,192	(52,569)	(27,028)
Change in valuation allowance	(267)	18,134	56,827	49,111
Uncertain tax positions liability	32	351	230	163
Income tax expenses	$1,946	$ 7,295	$ 11,585	$ 8,835

A summary of the composition of net deferred income tax assets (liabilities) at December 31, 2009 and 2008 are as follows:

	Successor	Predecessor
	December 31, 2009	December 31, 2008
Deferred tax assets		
Inventories	$ —	$ 9,086
Accrued expenses	2,056	1,419
Product warranties	322	152
Other reserves	530	356
Accumulated severance benefits	12,042	9,908
Property, plant and equipments	15,503	13,981
NOL carry-forwards	146,833	98,745
Tax credit	31,558	23,947
Royalty income	5,985	10,629
Foreign currency translation loss	30,198	40,916
Debt issuance costs	284	397
Others	3,081	1,402
Total deferred tax assets	248,392	210,938
Less: valuation allowance	(225,704)	(196,093)
	22,688	14,845
Deferred tax liabilities		
Inventories	1,721	—
Intangible assets	12,247	—
Others	243	4,450
Total deferred tax liabilities	14,211	4,450
Net deferred tax assets	$ 8,477	$ 10,395

MagnaChip Semiconductor LLC and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)
(Tabular dollars in thousands, except unit data)

Changes in valuation allowance for deferred tax assets for the two-month period ended December 31, 2009, for the ten-month period ended October 25, 2009 and for the year ended December 31, 2008 are as follows:

	Successor	Predecessor	
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Year Ended December 31, 2008
Beginning balance	$223,367	$196,093	$165,977
Charge to expenses	(409)	17,090	79,438
Translation adjustment	2,746	10,184	(49,322)
Ending balance	$225,704	$223,367	$196,093

Deferred income tax assets are recognized only to the extent that realization of the related tax benefit is more likely than not. Realization of the future tax benefits related to the deferred tax assets is dependent on many factors, including the Company's ability to generate taxable income within the period during which the temporary differences reverse, the outlook for the economic environment in which the Company operates and the overall future industry outlook. Based on the Company's historical accounting and tax losses, management determined that it was more likely than not that the Company would realize benefits related to its deferred tax assets in the amount of $8,477 thousand, $9,238 thousand and $10,395 thousand as of December 31, 2009, October 25, 2009 and December 31, 2008, respectively. Accordingly, the Company recorded a valuation allowance of $225,704 thousand, $223,367 thousand and $196,093 thousand on its net deferred tax assets as of December 31, 2009, October 25, 2009 and December 31, 2008, respectively.

At December 31, 2009, the Company had approximately $625,616 thousand of net operating loss carry-forwards available to offset future taxable income. The majority of net operating loss is related to MagnaChip Korea, which expires in varying amounts starting from 2010 to 2019. The Company also has Korean and Dutch tax credit carry-forwards of approximately $11,446 thousand and $20,103 thousand, respectively, as of December 31, 2009. The Korean tax credits expire at various dates starting from 2010 to 2013, and the Dutch tax credits are carried forward to be used for an indefinite period of time.

Uncertainty in Income Taxes

The Company's subsidiaries file income tax returns in Korea, Japan, Taiwan, the U.S. and in various other jurisdictions. The Company is subject to income tax examinations by tax authorities of these jurisdictions for all years since the beginning of its operation as an independent company in October 2004.

The Company adopted the provisions of ASC 740 guidance on uncertain tax positions on January 1, 2007. As a result of the implementation of ASC 740 guidance on uncertain tax positions, the Company recognized $1,554 thousand of liabilities for unrecognized tax benefits, which are related to the temporary difference arising from the timing of expensing certain inventories. Such liabilities were accounted for as an increase to the January 1, 2007 balance of accumulated deficits. As of December 31, 2009 and 2008, the Company recorded $1,997 thousand and $1,490 thousand of liabilities for unrecognized tax benefits, respectively.

(Tabular dollars in thousands, except unit data)

The Company recognizes interest and penalties accrued related to unrecognized tax benefits as income tax expenses. The Company recognized $26 thousand, $206 thousand and $155 thousand of interest and penalties as income tax expense for the two-month period ended December 31, 2009, for the ten-month period ended October 25, 2009 and for the year ended December 31, 2008, respectively. Total interest and penalties accrued as of December 31, 2009, December 31, 2008 and as of the ASC 740 guidance on uncertain tax positions adoption date were $946 thousand, $652 thousand and $530 thousand, respectively.

A tabular reconciliation of the total amounts of unrecognized tax benefits at the beginning and end of each period is as follows:

	Successor	Predecessor	
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Year Ended December 31, 2008
Unrecognized tax benefits, balance at the beginning	$2,874	$2,293	$1,593
Additions based on tax positions related to the current year	—	33	—
Additions for tax positions of prior years	123	635	748
Reductions for tax positions of prior years	(18)	(88)	(64)
Settlements	—	—	—
Lapse of statute of limitations	—	—	—
Translation adjustment	—	1	16
Unrecognized tax benefits, balance at the ending	$2,979	$2,874	$2,293

23. Geographic and Segment Information

On October 6, 2008, the Company announced the closure of its Imaging Solutions business segment, subject to support for existing customers. As of December 31, 2008, the Imaging Solutions business segment qualified as a discontinued operation component of the Company under ASC 360. As a result, the results of operations of the Imaging Solutions business and reportable segment have been classified as discontinued operations. Accordingly, the Company has restated prior periods' segment information to conform to the current presentation.

MagnaChip Semiconductor LLC and Subsidiaries

Notes to Consolidated Financial Statements — (Continued)
(Tabular dollars in thousands, except unit data)

The following sets forth information relating to the reportable segments:

	Successor	Predecessor		
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Net Sales				
Display Solutions	$ 51,044	$231,894	$304,095	$331,684
Semiconductor Manufacturing Services	54,759	206,662	287,111	321,034
Power Solutions	4,746	7,627	5,437	—
All other	533	2,801	5,021	56,790
Total segment net sales	$111,082	$448,984	$601,664	$709,508
Gross Profit				
Display Solutions	$ 8,747	$ 61,788	$ 57,386	$ 41,524
Semiconductor Manufacturing Services	10,657	71,825	98,411	67,127
Power Solutions	736	1,431	(4,272)	—
All other	534	2,801	4,885	22,000
Total segment gross profit	$ 20,674	$137,845	$156,410	$130,651

The following is a summary of net sales by region, based on the location of the customer:

	Successor	Predecessor		
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Korea	$ 62,241	$244,309	$301,006	$404,276
Asia Pacific	25,573	116,920	144,482	155,488
Japan	6,477	31,641	79,892	71,211
North America	14,910	48,458	61,346	58,506
Europe	1,881	7,656	14,938	20,027
	$111,082	$448,984	$601,664	$709,508

Over 99% of the Company's property, plant and equipment are located in Korea as of December 31, 2009.

Net sales from the Company's top ten largest customers accounted for 66%, 69%, 63% and 63% for the two-month period ended December 31, 2009, for the ten-month period ended October 25, 2009 and for the years ended December 31, 2008 and 2007, respectively.

The Company recorded $25.3 million, $121.5 million, $152.4 million and $182.6 million of sales to one customer within its Display Solutions segment, which represents greater than 10% of net sales, for the two-month period ended December 31, 2009, for the ten-month period ended October 25, 2009 and for the years ended December 31, 2008 and 2007, respectively.

(Tabular dollars in thousands, except unit data)

24. Commitments and Contingencies

Operating Agreements with Hynix

In connection with the acquisition of the non-memory semiconductor business from Hynix on October 4, 2004 (the "Original Acquisition"), the Company entered into several agreements with Hynix, including a non-exclusive cross license that provides the Company with access to certain of Hynix's intellectual property for use in the manufacture and sale of non-memory semiconductor products. The Company also agreed to provide certain utilities and infrastructure support services to Hynix. The obligation to provide certain of these services lasts indefinitely.

Upon the closing of the Original Acquisition, MagnaChip Korea and Hynix also entered into lease agreements under which MagnaChip Korea leases space from Hynix in several buildings, primarily warehouses and utility facilities, in Cheongju, Korea. These leases are generally for an initial term of 20 years plus an indefinite number of renewal terms of 10 years each. Each of the leases is cancelable upon 90 days' notice by the lessee. The Company also leases certain land from Hynix located in Cheongju, Korea. The term of this lease is indefinite unless otherwise agreed by the parties, and as long as the buildings remain on the lease site and are owned and used by the Company for permitted uses.

Operating Leases

The Company leases land, office building and equipment under various operating lease agreements that expire through 2034. Rental expenses were approximately $2,472 thousand, $11,775 thousand, $13,380 thousand and $11,614 thousand for the two-month period ended December 31, 2009, for the ten-month period ended October 25, 2009 and for the years ended December 31, 2008 and 2007, respectively.

As of December 31, 2009, the minimum aggregate rental payments due under non-cancelable lease contracts are as follows:

2010	6,840
2011	1,883
2012	1,883
2013	1,883
2014	1,883
2015 and thereafter	37,244
	$ 51,616

Payments of Guarantee

As of December 31, 2009 and 2008, the Company has provided guarantees for bank loans that employees borrowed to participate in the issuance of new shares of Hynix in 1999. The outstanding balances of guarantees for payments provided by the Company amounted to approximately $163 thousand and $138 thousand as of December 31, 2009 and 2008, respectively.

Loss contingency

Samsung Fiber Optics has made a claim against the Company for the infringement of the certain patent rights of Caltech in relation to imaging sensor products provided by the Company to Samsung Fiber Optics. The Company accrued $718 thousand of estimated liabilities as of October 25 and December 31, 2009 applying guidance under ASC 450 "*Contingencies*" ("ASC 450"). Accordingly,

(Tabular dollars in thousands, except unit data)

the Company cannot provide assurance that the estimated liabilities will be realized, and actual results could vary materially.

25. Related Party Transactions

Unitholders

Funds affiliated with Avenue Capital Management II, L.P. are the majority unitholders of the Company, owning 69.8% of the common units outstanding at December 31, 2009.

Backstop Commitment Agreement

Funds affiliated with Avenue Capital Management II, L.P. were paid an amount in new common units equal to 10% of the new common units (the "standby commitment fee"), or 30,000,000 units. The standby commitment fee was deemed fully earned and payable upon the Reorganization Effective Date, regardless of whether the offering was fully subscribed by eligible holders of the second lien noteholder claims.

Loans to employees

Loans to employees as of December 31, 2009 and 2008 were as follows:

	Successor	Predecessor
	December 31, 2009	December 31, 2008
Short-term loans	$40	$ 94
Long-term loans	45	46
Total	$85	$140

New Term Loan

A portion of the new term loan equal to $42,055 thousand was borrowed from Avenue Investments, LP, which is an affiliate of Avenue Capital Management II, L.P., and related interest expense of $822 thousand was recorded in relation to this new term loan and remains as accrued interest as of December 31, 2009.

Warrants

Funds affiliated with Avenue Capital Management II, L.P. own warrants for the purchase of 4,447,680 common units out of the total warrants for the purchase of 15,000,000 units outstanding as of December 31, 2009.

(Tabular dollars in thousands, except unit data)

26. Earnings (loss) per Unit

The following table illustrates the computation of basic and diluted earnings (loss) per common unit:

	Successor	Predecessor		
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Income (loss) from continuing operations	$ (2,473)	$ 834,520	$ (325,839)	$ (128,826)
Income (loss) from discontinued operations, net of taxes	510	6,586	(91,455)	(51,724)
Net income (loss)	(1,963)	841,116	(417,294)	(180,550)
Dividends accrued on preferred unitholders	—	(6,317)	(13,264)	(12,031)
Income (loss) from continuing operations attributable to common units	$ (2,473)	$ 828,203	$ (339,103)	$ (140,857)
Net income (loss) attributable to common units	$ (1,963)	$ 834,789	$ (430,558)	$ (192,581)
Weighted average common units outstanding	300,862,764	52,923,483	52,768,614	52,297,192
Basic and diluted earnings (loss) per unit from continuing operations	$ (0.01)	$ 15.65	$ (6.43)	$ (2.69)
Basic and diluted earnings (loss) per unit from discontinued operations	0.00	0.12	(1.73)	(0.99)
Basic and diluted net earnings (loss) per unit	$ (0.01)	$ 15.77	$ (8.16)	$ (3.68)

The following outstanding redeemable convertible preferred units, unit options, restricted units and warrants were excluded from the computation of diluted earnings (loss) per unit, as they would have an anti-dilutive effect on the calculation:

	Successor	Predecessor		
	Two-Month Period Ended December 31, 2009	Ten-Month Period Ended October 25, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Redeemable convertible preferred units	NA	93,997	93,997	93,997
Options	15,365,000	3,825,100	4,216,600	4,916,840
Restricted Units	4,675,440	—	—	268,343
Warrants	15,000,000	—	—	—

27. Subsequent Events

The Company has evaluated subsequent events requiring recognition or disclosure in the consolidated financial statements during the period from January 1, 2010 through March 13, 2010, the date the consolidated financial statements were available to be issued.

Effective January 11, 2010, the Company's Korean subsidiary entered into option and forward contracts to hedge the risk of changes in the functional-currency-equivalent cash flows attributable to currency rate changes on U.S. dollar denominated revenues. Total notional amounts for the options and forward contracts were $50,000 thousand and $135,000 thousand, respectively, and monthly settlements for the contracts will be made from February to December 2010.

MagnaChip Semiconductor Corporation
Depositary Shares

Representing Shares of Common Stock

Goldman, Sachs & Co. **Barclays Capital** **Deutsche Bank Securities**

Citi **UBS Investment Bank**

Through and including , 2010 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. ***Other Expenses of Issuance and Distribution.***

The following table sets forth all expenses other than the underwriting discount, payable by the registrant in connection with the sale of the common stock being registered. All amounts shown are estimates except for the SEC registration fee.

SEC Registration Fee	$	17,825
FINRA Fees	$	25,500
New York Stock Exchange Listing Fee	$	*
Legal Fees and Expenses	$	*
Printing Expenses	$	*
Blue Sky Fees	$	*
Transfer Agent's Fees	$	*
Accounting Fees and Expenses	$	*
Miscellaneous	$	*
Total	$	*

* To be provided by amendment

ITEM 14. ***Indemnification of Officers and Directors.***

Section 145 of the Delaware General Corporation Law (DGCL) provides that a corporation may indemnify directors and officers as well as other employees and individuals against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any threatened, pending or completed actions, suits or proceedings in which such person is made a party or who is threatened to be made a party by reason of such person being or having been a director, officer, employee of or agent to the registrant. The statute provides that it is not exclusive of other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

As permitted by the DGCL, our certificate of incorporation includes a provision that eliminates the personal liability of our directors for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability is not permitted by DGCL.

As permitted by the DGCL, our bylaws provide that (1) we are required to indemnify our directors and officers to the fullest extent permitted by the DGCL, subject to certain exceptions; (2) we are permitted to indemnify our other employees and agents to the extent that we indemnify our officers and directors; (3) we are required to advance expenses, as incurred, to our directors and officers in connection with any legal proceeding, subject to certain exceptions; and (4) the rights conferred in our bylaws are not exclusive.

We intend to enter into indemnification agreements with our directors and officers. The indemnification agreements will provide for indemnification and advancement of expenses to our directors and officers under certain circumstances for acts or omissions to the extent permissible under Delaware law. We also obtained directors' and officers' liability insurance, which insures against liabilities that our directors or officers may incur in such capacities. At present, we are not aware of any pending or threatened litigation or proceeding involving any of our directors, officers, employees or agents in which indemnification would be required or permitted. We believe that our charter and bylaw provisions are necessary to attract and retain qualified persons as directors and officers.

Item 15. ***Recent Sales of Unregistered Securities.***

The following relates to sales of securities that have occurred since January 1, 2007 and that have not been registered under the Securities Act:

Prior to the closing of the offering, we will convert from a Delaware limited liability company into a Delaware corporation. At the time of the corporate conversion, all of the outstanding common units of MagnaChip Semiconductor LLC will be automatically converted into shares of our common stock and all of the outstanding warrants to purchase common units of MagnaChip Semiconductor LLC will be automatically converted into warrants to purchase shares of our common stock. The issuance of common stock and warrants to purchase common stock to our members in the corporate conversion will be exempt from registration under the Securities Act by virtue of the exemption provided under Section 3(a)(9) thereof as the common stock and warrants will be exchanged by us with our existing security holders exclusively where no commission or other remuneration is paid or given directly or indirectly for soliciting such exchange. The issuance of common stock and warrants will also be exempt from registration under the Securities Act by virtue of Section 4(2) thereof as a transaction not involving a public offering or, with respect to certain of our existing security holders, Regulation S thereof as an issuance to non-U.S. persons in transactions that will take place outside of the U.S. In addition, as part of our corporate conversion, we will convert outstanding options to purchase common units of MagnaChip Semiconductor LLC into options to purchase shares of our common stock. The issuance of such options to purchase shares of our stock pursuant to such corporate conversion will be exempt from registration in reliance upon exemptions from the registration requirements provided by Rule 701 under the Securities Act relating to transactions occurring under compensatory benefit plans or provided by Regulation S to non-U.S. persons in transactions that will take place outside of the U.S.

In December 2009, we issued to certain of our employees restricted unit bonuses for an aggregate of 7,084,000 common units pursuant to the MagnaChip Semiconductor LLC 2009 Common Unit Plan. In December 2009, we also issued to certain of our employees options to purchase up to 15,365,000 common units pursuant to the MagnaChip Semiconductor LLC 2009 Common Unit Plan at an exercise price of $1.16 per unit. The issuance of such restricted unit bonuses and options to purchase our common units was exempt from registration in reliance upon exemptions from the registration requirements provided by Rule 701 under the Securities Act relating to transactions occurring under compensatory benefit plans or provided by Regulation S to non-U.S. persons in transactions that took place outside of the U.S.

In November 2009, in connection with our emergence from reorganization proceedings, we issued an aggregate of 17,999,996 common units and warrants to purchase 15,000,000 common units to certain of our former creditors in satisfaction and retirement of their claims. The issuance of such common units and warrants and the distribution thereof was exempt from registration under applicable securities laws pursuant to Section 1145(a) of the U.S. Bankruptcy Code.

In November 2009, in connection with our emergence from reorganization proceedings, we issued an aggregate of 252,000,000 common units in a rights offering to affiliated funds of Avenue Capital Management II, L.P. and certain of our other former creditors who were accredited investors, as defined in Regulation D of the Securities Act, for an aggregate purchase price of $35,280,000. In connection with such rights offering we issued an additional 30,000,000 common units to affiliated funds of Avenue Capital Management II, L.P. as payment of a backstop commitment fee payable pursuant to our Chapter 11 plan of reorganization. The sale and issuance of such securities was exempt from registration under applicable securities laws pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

On July 4, 2008, one of our former employees exercised options to acquire 4,375 of our common units at a purchase price of $12,040.87. The issuance of these securities was exempt from registration under Section 4(2) of the Securities Act, by reason of the fact that the offering was a

limited private placement to one knowledgeable investor who agreed not to resell the securities to the public.

On April 14, 2008, one of our former executives exercised options to acquire 143,272.50 of our common units at a purchase price of $143,272.50. Because the offering transaction took place outside the U.S. and the optionee was not a U.S. person, the issuance of these securities was exempt from registration under Regulation S.

On March 12, 2008, one of our former employees exercised options to acquire 2,437.50 of our common units at a purchase price of $7,312.50. Because the offering transaction took place outside the U.S. and the optionee was not a U.S. person, the issuance of these securities was exempt from registration under Regulation S.

On February 19, 2008, two of our former employees exercised options to acquire 11,375 of our common units for an aggregate purchase price of $20,890. Because the offering transactions took place outside the U.S. and neither of the optionees was a U.S. person, the issuance of these securities was exempt from registration under Regulation S.

On December 24, 2007, one of our former executives exercised options to acquire 12,500 of our common units at a purchase price of $37,500. Because the offering transaction took place outside the U.S. and the optionee was not a U.S. person, the issuance of these securities was exempt from registration under Regulation S.

On October 25, 2007, one of our former employees exercised options to acquire 1,500 of our common units at a purchase price of $3,000. Because the offering transaction took place outside the U.S. and the optionee was not a U.S. person, the issuance of these securities was exempt from registration under Regulation S.

On August 22, 2007, one of our former executives exercised options to acquire 30,937.50 of our common units at a purchase price of $30,937. Because the offering transaction took place outside the U.S. and the optionee was not a U.S. person, the issuance of these securities was exempt from registration under Regulation S.

On May 4, 2007, one of our former executives exercised options to acquire 80,000 of our common units for an aggregate purchase price of $80,000. The issuance of these securities was exempt from registration under Section 4(2) of the Securities Act, by reason of the fact that the offering was a limited private placement to one knowledgeable investor who agreed not to resell the securities to the public.

ITEM 16. ***Exhibits.***

1.1	Form of Underwriting Agreement*
3.1	Certificate of Formation of MagnaChip Semiconductor LLC (formerly System Semiconductor Holding LLC)
3.2	Certificate of Amendment to Certificate of Formation of MagnaChip Semiconductor LLC
3.3	Fifth Amended and Restated Limited Liability Company Operating Agreement of MagnaChip Semiconductor LLC
3.4	Form of Certificate of Incorporation of MagnaChip Semiconductor Corporation
3.5	Form of Bylaws of MagnaChip Semiconductor Corporation
3.6	Agreement and Plan of Conversion by and among the Members of MagnaChip Semiconductor LLC*
4.1	Registration Rights Agreement, dated as of November 9, 2009, by and among MagnaChip Semiconductor LLC and each of the securityholders named therein
4.2	Form of Deposit Agreement, among MagnaChip Semiconductor LLC, American Stock Transfer & Trust Company, LLC, as the depositary, and the holders from time to time of the depositary receipts evidencing the depositary shares*
4.3	Specimen Depositary Share (included in Exhibit 4.2)*
5.1	Form of Opinion of DLA Piper LLP (US)*
10.1	Amended and Restated Credit Agreement, dated as of November 6, 2009, among MagnaChip Semiconductor S.A., MagnaChip Semiconductor Finance Company, the guarantors named therein, the lenders named therein, and Wilmington Trust FSB, as Administrative Agent
10.2	Intellectual Property License Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)
10.3	Land Lease and Easement Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)(1)
10.4	First Amendment to Land Lease and Easement Agreement, dated as of December 30, 2005, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)
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10.7	License Agreement (ModularBCD), dated as of March 18, 2005, by and between Advanced Analogic Technologies, Inc. and MagnaChip Semiconductor, Ltd. (Korea)(2)
10.8	Amended & Restated License Agreement (TrenchDMOS), dated as of September 19, 2007, by and between Advanced Analogic Technologies, Inc. and MagnaChip Semiconductor, Ltd. (Korea)(2)
10.9	Technology License Agreement, dated as of December 16, 1996, by and between Advanced RISC Machines Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to LG Semicon Company Limited)(1)
10.10	Amendment to the Technology License Agreement, dated as of October 16, 2006, by and between ARM Limited and MagnaChip Semiconductor, Ltd. (Korea)(2)
10.11	ARM7201TDSP Device License Agreement, dated as of August 26, 1997, by and between Advanced RISC Machines Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to LG Semicon Company Limited)(1)
10.12	Technology License Agreement, dated as of October 5, 1995, by and between Advanced RISC Machines Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to LG Semicon Company Limited)(2)
10.13	Technology License Agreement, dated as of July 2001, by and between ARM Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to Hynix Semiconductor Inc.)(1)

10.14	Technology License Agreement, dated as of August 22, 2001, by and between ARM Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to Hynix Semiconductor Inc.)(1)
10.15	Technology License Agreement, dated as of May 20, 2004, by and between ARM Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to Hynix Semiconductor Inc.)
10.16	Design Migration Agreement, dated as of May 1, 2007, by and between ARM Limited and MagnaChip Semiconductor, Ltd. (Korea)(2)
10.17	Basic Agreement on Joint Development and Grant of License, dated as of November 10, 2006, by and between MagnaChip Semiconductor, Ltd. and Silicon Works (English translation)
10.18	Master Service Agreement, dated as of December 27, 2000 by and between Sharp Corporation and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to Hyundai Electronics Japan Co., Ltd) (English translation)
10.19	Warrant Agreement, dated as of November 9, 2009, between MagnaChip Semiconductor LLC and American Stock Transfer & Trust Company, LLC
10.20	MagnaChip Semiconductor LLC 2009 Common Unit Plan
10.21	MagnaChip Semiconductor LLC 2009 Common Unit Plan form of Option Agreement (Non-U.S. Participants)
10.22	MagnaChip Semiconductor LLC 2009 Common Unit Plan form of Option Agreement (U.S. Participants)
10.23	MagnaChip Semiconductor LLC 2009 Common Unit Plan form of Restricted Unit Agreement (Non-U.S. Participants)
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10.30	Entrustment Agreement, dated as of October 6, 2004, by and between MagnaChip Semiconductor, Ltd. (Korea) and Tae Young Hwang
10.31	Notice of Grant of Unit Option, dated as of December 8, 2009, by and between MagnaChip Semiconductor LLC and Tae Young Hwang
10.32	Notice of Grant of Restricted Units, dated as of December 8, 2009, by and between MagnaChip Semiconductor LLC and Tae Young Hwang
10.33	Offer Letter dated March 7, 2006, from MagnaChip Semiconductor LLC and MagnaChip Semiconductor, Inc. to Brent Rowe, as supplemented on December 20, 2006
10.34	Notice of Grant of Unit Option, dated as of December 8, 2009, by and between MagnaChip Semiconductor LLC and Brent Rowe
10.35	Notice of Grant of Restricted Units, dated as of December 8, 2009, by and between MagnaChip Semiconductor LLC and Brent Rowe
10.36	Offer Letter dated September 5, 2006, from MagnaChip Semiconductor LLC and MagnaChip Semiconductor, Ltd. to Margaret Sakai
10.37	Notice of Grant of Unit Option, dated as of December 8, 2009, by and between MagnaChip Semiconductor LLC and Margaret Sakai
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10.44	Notice of Grant of Restricted Units, dated as of December 8, 2009, by and between MagnaChip Semiconductor LLC and Tae Jong Lee
10.45	Service Agreement, dated as of April 1, 2006, by and between MagnaChip Semiconductor, Ltd. (Korea) and John McFarland
10.46	Notice of Grant of Unit Option, dated as of December 8, 2009, by and between MagnaChip Semiconductor LLC and John McFarland
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10.48	Senior Advisor Agreement, dated as of April 10, 2009, by and between MagnaChip Semiconductor, Ltd.(Korea) and Robert J. Krakauer
10.49	MagnaChip Semiconductor Corporation Form of Indemnification Agreement with Directors and Officers
21.1	Subsidiaries of the Registrant
23.1	Consent of Samil PricewaterhouseCoopers
23.2	Consent of DLA Piper LLP (US) (contained in Exhibit 5.1)*
24.1	Power of Attorney of officers and directors of MagnaChip Semiconductor LLC (contained on signature page)

* To be filed by amendment.

Footnotes:

(1) Certain portions of this document have been omitted pursuant to a grant of confidential treatment by the SEC.

(2) Certain portions of this document have been omitted pursuant to a request for confidential treatment by the SEC.

Item 17. ***Undertakings.***

We hereby undertake to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by a director, officer, or controlling person of us in the successful defense of any action, suit, or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, we will, unless in the opinion of counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by

us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) for purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective; and

(2) for purposes of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, MagnaChip Semiconductor LLC certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-1 and has duly caused this Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in Seoul, The Republic of Korea on March 15, 2010.

MagnaChip Semiconductor LLC

By: /s/ Sang Park
Sang Park, Chief Executive Officer (Principal Executive Officer)

POWER OF ATTORNEY

Know All Persons By These Presents, that each person whose signature appears below constitutes and appoints Sang Park, as his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments and registration statements filed pursuant to Rule 462(b) under the Securities Act) to this Registration Statement and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement on Form S-1 has been signed below by the following persons on behalf of MagnaChip Semiconductor LLC and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Sang Park **Sang Park**	Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)	March 15, 2010
/s/ Margaret Sakai **Margaret Sakai**	Chief Financial Officer (Principal Financial and Accounting Officer)	March 15, 2010
/s/ Michael Elkins **Michael Elkins**	Director	March 15, 2010
/s/ Randal Klein **Randal Klein**	Director	March 15, 2010
/s/ R. Douglas Norby **R. Douglas Norby**	Director	March 15, 2010

Signature	Title	Date
/s/ Gidu Shroff **Gidu Shroff**	Director	March 15, 2010
/s/ Steven Tan **Steven Tan**	Director	March 15, 2010
/s/ Nader Tavakoli **Nader Tavakoli**	Director	March 15, 2010

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Exhibit 3.1

CERTIFICATE OF FORMATION

OF

SYSTEM SEMICONDUCTOR HOLDING LLC

The undersigned, an authorized natural person, for the purpose of forming a limited liability company under the provisions and subject to the requirements of the State of Delaware (particularly Chapter 18, Title 6 of the Delaware Code and the acts amendatory thereof and supplemental thereto, and known, identified and referred to as the "Delaware Limited Liability Company Act"), hereby certifies that:

FIRST. The name of the limited liability company (hereinafter called the "Limited Liability Company") is System Semiconductor Holding LLC.

SECOND. The address of the registered office and the name and address of the registered agent of the Limited Liability Company required to be maintained by Section 18-104 of the Delaware Limited Liability Company Act is National Corporate Research, Ltd., 615 South Dupont Highway, in the City of Dover, County of Kent, Delaware 19901. The name of the registered agent at this address is National Corporate Research, Ltd.

Executed on November 26, 2003.

/s/ Catherine Sicari
Catherine Sicari
Authorized Person

State of Delaware
Secretary of State
Division of Corporations
Delivered 07:20 PM 11/26/2003
FILED 06:56 PM 11/26/2003
SRV 030764552 - 3733022 FILE

Exhibit 3.2

CERTIFICATE OF AMENDMENT

OF THE

CERTIFICATE OF FORMATION

OF

SYSTEM SEMICONDUCTOR HOLDING LLC

1. The name of the limited liability company is System Semiconductor Holding LLC.

2. The Certificate of Formation of the limited liability company is hereby amended as follows:

Item FIRST of the Certificate of Formation shall be deleted in its entirety and the following shall be inserted in lieu thereof:

FIRST. The name of the limited liability company (hereinafter called the "Limited Liability Company") is MagnaChip Semiconductor LLC.

3. This Certificate of Amendment shall be effective upon its filing with the Office of the Secretary of State of the State of Delaware.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Amendment of the Certificate of Formation of System Semiconductor Holding LLC.

SYSTEM SEMICONDUCTOR HOLDING LLC

By: Paul C. Schorr IV
Name: Paul C. Schorr IV
Title: President

Exhibit 3.3

FIFTH AMENDED AND RESTATED

LIMITED LIABILITY COMPANY OPERATING AGREEMENT

OF

MAGNACHIP SEMICONDUCTOR LLC,

a Delaware limited liability company

Dated as of February 12, 2010

THE SECURITIES REPRESENTED BY THIS LIMITED LIABILITY COMPANY OPERATING AGREEMENT HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR QUALIFIED UNDER ANY STATE SECURITIES LAWS AND, AS SUCH, THEY MAY NOT BE OFFERED FOR SALE, SOLD, DELIVERED AFTER SALE, TRANSFERRED, PLEDGED, OR HYPOTHECATED UNLESS THE SECURITIES HAVE BEEN QUALIFIED AND REGISTERED UNDER APPLICABLE STATE AND FEDERAL SECURITIES LAWS OR UNLESS SUCH QUALIFICATION AND REGISTRATION IS NOT LEGALLY REQUIRED. TRANSFER OF THE SECURITIES REPRESENTED BY THIS LIMITED LIABILITY COMPANY OPERATING AGREEMENT MAY BE FURTHER SUBJECT TO THE RESTRICTIONS, TERMS AND CONDITIONS SET FORTH HEREIN.

TABLE OF CONTENTS

FIFTH AMENDED AND RESTATED
LIMITED LIABILITY COMPANY OPERATING AGREEMENT
OF

MAGNACHIP SEMICONDUCTOR LLC,

a Delaware limited liability company

THIS FIFTH AMENDED AND RESTATED LIMITED LIABILITY COMPANY OPERATING AGREEMENT (this "Agreement") of MAGNACHIP SEMICONDUCTOR LLC (the "Company") dated as of February 12, 2010 is entered into by and among the parties listed on Exhibit A attached hereto (the "Existing Members") and those other Persons (defined below) who become Members (defined below) of the Company from time to time, as hereinafter provided. All capitalized terms used in this Agreement and not otherwise are defined herein are defined in Annex I hereto.

ARTICLE I.
ORGANIZATION

1.1 ***Formation; Effective Date.*** The Company was organized as a Delaware limited liability company on November 26, 2003 by the filing of a certificate of formation (the "Certificate") with the Office of the Secretary of State of the State of Delaware under and pursuant to the Act (defined below). The name of the Company was changed from "System Semiconductor Holding LLC" to "MagnaChip Semiconductor LLC" on August 31, 2004 by the filing of a Certificate of Amendment to the Certificate with the Office of the Secretary of State of the State of Delaware under and pursuant to the Act. This Agreement, which further amends and restates the Fourth Amended and Restated Limited Liability Company Operating Agreement of the Company dated as of November 9, 2009 (the "Prior Agreement"), which had amended and restated the Third Amended and Restated Limited Liability Company Operating Agreement of the Company dated as of October 6, 2004, which had amended and restated the First Amended and Restated Limited Liability Company Operating Agreement of the Company dated as of September 10, 2004, which had amended and restated the Operating Agreement of the Company dated as of June 8, 2004, is made and filed in accordance with Section 13.5 of the Prior Agreement by a Required Interest as of the date hereof (the "Effective Date"). The Prior Agreement was filed with the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") pursuant to a plan of reorganization (as amended from time to time, the "Chapter 11 Plan") confirmed by an order of the Bankruptcy Court, dated August 25, 2009, in In re: MagnaChip Semiconductor Finance Company, et al., Case No.: 09-12008 (PJW) under Chapter 11 of Title 11 of the United States Code (the "Order") and became effective November 9, 2009 (the "Chapter 11 Plan Effective Date"). Pursuant to the Order and as set forth in the Chapter 11 Plan, among other things, all equity securities of the Company issued and outstanding immediately prior to the Chapter 11 Plan Effective Date and the Effective Date (as defined in the Prior Agreement) of the Prior Agreement were discharged, terminated and cancelled. To the extent that the rights or obligations of any Member are different by reason of any provision of this Agreement than they would be in the absence of such provisions, this Agreement shall, to the extent permitted by the Act, control. As used herein, "Act" means the Delaware Limited

Liability Company Act (6 Del. C. § 18-101 *et seq.)*, and any successor statute, as amended from time to time.

1.2 ***Name***. The name of the Company is "MagnaChip Semiconductor LLC" and all Company business must be conducted in that name or in such other names that comply with applicable law as the Board of Directors of the Company (the "Board of Directors") may select from time to time.

1.3 ***Registered Agent; Offices***. The registered agent and office of the Company required by the Act to be maintained in the State of Delaware shall be National Corporate Research, Ltd., 615 S. DuPont Highway, Dover, Delaware 19901, or such other agent or office (which need not be a place of business of the Company) as the Board of Directors may designate from time to time in the manner provided by applicable law. The principal office of the Company shall be located at such place within or without the State of Delaware, and the Company shall maintain such records, as the Board of Directors shall determine from time to time. The Company may have such other offices as the Board of Directors may designate from time to time.

1.4 ***Purpose***.

(a) The nature or purpose of the business to be conducted or promoted by the Company is to (i) purchase from time to time and hold equity and/or debt investment interests in MagnaChip Semiconductor S.A., a company organized under the laws of Luxembourg ("MagnaChip Luxembourg"), MagnaChip Semiconductor, Inc., a Delaware corporation ("MagnaChip US") and any successor to MagnaChip Luxembourg or MagnaChip US or any direct or indirect subsidiary of such entities; (ii) engage in the semiconductor industry or related industries or purchase from time to time and hold equity and/or debt investment interests in entities engaged in such industries; (iii) perform all duties and activities as a controlling stockholder of MagnaChip Luxembourg and MagnaChip US or their respective successors and manage the investments of the Company; (iv) hold for investment, distribute and/or otherwise dispose of cash or property distributed to the Company by MagnaChip Luxembourg or MagnaChip US or otherwise received by the Company in connection with its business; and (v) engage in any and all activities necessary, desirable or incidental to the accomplishment of the foregoing. Notwithstanding anything herein to the contrary, nothing set forth herein shall be construed as authorizing the Company to possess any purpose or power, or to do any act or thing, forbidden by law to a limited liability company organized under the laws of the State of Delaware.

(b) Subject to the provisions of this Agreement, the Company shall have the power and authority to take any and all actions necessary, appropriate, proper, advisable, convenient or incidental to, or for the furtherance of, the purposes set forth in Section 1.4(a).

1.5 ***Foreign Qualification***. The Board of Directors shall cause the Company to comply with all requirements necessary to qualify the Company as a foreign limited liability company in any jurisdiction where the nature of its business makes such qualification necessary or desirable; provided that the Board of Directors shall provide to each Member such notice of its intention to so qualify in any jurisdiction outside the United States as is reasonably practicable, which such notice shall contain the name of the jurisdiction and the reason for such qualification to the extent reasonably practicable. Subject to the preceding sentence, at the request of the

Board of Directors, each Member shall execute, acknowledge, and deliver all certificates and other instruments conforming with this Agreement that are necessary or appropriate to qualify, continue, or terminate the Company as a foreign limited liability company in all such jurisdictions in which the Company may conduct business.

ARTICLE II.
MEMBERSHIP INTERESTS

2.1 ***Existing Members; New Members***.

(a) The Existing Members of the Company are designated on Exhibit A. Pursuant to the Order and as set forth in the Chapter 11 Plan, upon the Chapter 11 Plan Effective Date, the Prior Agreement was deemed to be valid, binding and enforceable in accordance with its respective terms, and each Member was bound thereby, in each case, without the need for execution by any party thereto other than Avenue and the Company. The number of Common Units owned by each Member, such Member's Percentage Interest (defined below) of each class of Units (defined below) and such Member's Capital Contributions as of the date hereof are set forth on Exhibit A opposite such Member's name. Each Member's Membership Interest shall be represented by Units of Membership Interest.

(b) Subject to the approval by the Board of Directors, the Company shall have the right to issue or sell to any Person (including Members and affiliates of Members) any of the following (which for purposes of this Agreement shall be referred to as "Additional Interests"): (i) additional Common Units and (ii) warrants, options, or other rights to purchase or otherwise acquire Common Units. Subject to the provisions of this Agreement and approval by the Board of Directors, the Company shall determine the number of each class or series of Units to be issued or sold and the contribution required in connection with the issuance of such Additional Interests. In order for a Person to be admitted as a new Member of the Company with respect to an Additional Interest, with respect to Units that have been transferred pursuant to this Agreement or otherwise: such Person shall have delivered to the Company a written undertaking in a form acceptable to the Company to be bound by the terms and conditions of this Agreement and shall have delivered such documents and instruments as the Company reasonably determines to be necessary or appropriate in connection with the issuance of such Additional Interest to such Person or the transfer of Units to such Person or to effect such Person's admission as a Member. Thereafter, the Secretary of the Company shall amend Exhibit A without the further vote, act or consent of any other Person to reflect such new Person as a Member and shall make available for review a copy of such amended Exhibit A to each Member. Upon the delivery of such documents and instruments, such Person shall be admitted as a Member and deemed listed as such on the books and records of the Company and thereupon shall be issued such Person's Units.

(c) As used herein, the following terms shall have the following meanings:

(i) "Member" means (a) the Existing Members and (b) any Person hereafter admitted to the Company as a member as provided in this Agreement but does not include any Person who has ceased to be a member in the Company.

(ii) "Membership Interest" means a Member's entire interest in the Company, including such Member's economic interest, the right to vote on or participate in the Company's management, and the right to receive information

concerning the business and affairs of the Company, in each case, to the extent expressly provided in this Agreement or required by the Act. A Member's Membership Interest is represented by the Units that it owns.

(iii) "Percentage Interest" means, with respect to any Member, the percentage of the total number of Units of the class of Units in question owned by such Member.

2.2 ***Representations and Warranties***. Each Member hereby represents and warrants to the Company and to each other Member that:

(a) Such Member has full legal right, power and authority (including the due authorization by all necessary corporate, limited liability company or partnership action in the case of corporate, limited liability company or partnership Members) to enter into this Agreement and to perform such Member's obligations hereunder without the need for the consent of any other Person; and this Agreement has been duly authorized, executed and delivered and constitutes the legal, valid and binding obligation of such Member enforceable against such Member in accordance with the terms hereof.

(b) The Units are being received by such Member for investment and not with a view to any distribution thereof that would violate the United States Securities Act of 1933, as amended (the "Securities Act"), or the applicable securities laws of any state; such Member will not distribute the Units in violation of the Securities Act or the applicable securities laws of any state.

(c) Such Member is financially able to hold the Units for long-term investment, believes that the nature and amount of the Units being acquired are consistent with such Member's overall investment program and financial position, and recognizes that there are substantial risks involved in acquiring the Units. Such Member is aware that the Company may issue additional securities in the future which could result in the dilution of such Member's ownership interest in the Company.

(d) Such Member confirms that (i) such Member is familiar with the business of the Company, (ii) such Member has had the opportunity to ask questions about the Company and to obtain (and that such Member has received to its satisfaction) such information about the business and financial condition of the Company as such Member has reasonably requested, and (iii) such Member, either alone or with such Member's representative (as defined in Rule 501(h) promulgated under the Securities Act), if any, has such knowledge and experience in financial and business matters that such Member is capable of evaluating the merits and risks of the prospective investment in the Units.

(e) Such Member acknowledges and agrees that such Member's Units cannot be sold, assigned, transferred, exchanged or otherwise disposed of except in compliance with the terms of this Agreement to which such Member is bound.

(f) If such Member is not a citizen of the United States of America, such Member hereby represents that such Member is satisfied as to the full observance of the laws of such Member's jurisdiction of organization in connection with the acquisition of Units or any use of this Agreement. Such Member's acquisition of and continued ownership of, Units will not violate any applicable securities or other laws of such Member's jurisdiction of organization.

(g) Such Member understands that the Units have not been registered under the Securities Act or the securities laws of any state and may not be transferred, pledged or hypothecated except as permitted under the Securities Act and applicable state securities laws pursuant to registration or an exemption therefrom; such Member understands that any certificates evidencing the Units, or any other securities issued in respect of the Units upon any split, dividend, recapitalization, merger, consolidation or similar event, shall bear the following legend (in addition to any legend required under applicable U.S. federal and state securities laws or called for by any agreement between the Company and such Member):

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR UNDER THE SECURITIES LAWS OF CERTAIN STATES. THESE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS PURSUANT TO REGISTRATION OR AN EXEMPTION THEREFROM. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER THAT SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION OTHERWISE COMPLIES WITH THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER, SALE, ASSIGNMENT, PLEDGE, ENCUMBRANCE OR OTHER SIMILAR TRANSFER AND VOTING AS SET FORTH IN A LIMITED LIABILITY COMPANY OPERATING AGREEMENT AMONG THE COMPANY AND THE ORIGINAL HOLDERS OF THESE SECURITIES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE COMPANY."

; provided, however, that the forgoing legend shall not be required with respect to any Units issued pursuant to Section 1145 of the Bankruptcy Reform Act of 1978, as amended, and such Member understands and agrees that any certificates evidencing such Units shall instead bear the following legend (in addition to any other legend required under applicable U.S. federal and state securities laws or called for by any agreement between the Company and such Member):

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAS BEEN ISSUED PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SECTION 1145 OF THE BANKRUPTCY REFORM ACT OF 1978, AS AMENDED (THE "BANKRUPTCY CODE"). THE SECURITIES MAY BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED WITHOUT REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"); PROVIDED THAT THE HOLDER IS NOT DEEMED TO BE AN UNDERWRITER AS SUCH TERM IS DEFINED IN SECTION 1145(b) OF THE BANKRUPTCY CODE. IF THE HOLDER IS

DEEMED TO BE AN UNDERWRITER AS SUCH TERM IS DEFINED IN SECTION 1145(b) OF THE BANKRUPTCY CODE, THEN THE SECURITIES MAY ONLY BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED UPON REGISTRATION UNDER THE SECURITIES ACT OR RECEIPT OF AN OPINION OF COUNSEL SATISFACTORY TO MAGNACHIP SEMICONDUCTOR LLC AND ITS COUNSEL THAT SUCH DISPOSITION IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF THE SECURITIES ACT AND OF ANY APPLICABLE STATE SECURITIES LAWS.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER, SALE, ASSIGNMENT, PLEDGE, ENCUMBRANCE OR OTHER SIMILAR TRANSFER AND VOTING AS SET FORTH IN A LIMITED LIABILITY COMPANY OPERATING AGREEMENT AMONG THE COMPANY AND THE ORIGINAL HOLDERS OF THESE SECURITIES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE COMPANY."

2.3 ***Units; Certification***. There shall be one class of Units consisting of units of common Membership Interests in the Company (the "Common Units" or collectively, the "Units"). As of the date hereof, and after giving effect to the transactions contemplated hereby, there shall be authorized (i) Three Hundred Seventy Five Million (375,000,000) Common Units, of which Three Hundred Seven Million Eighty-Three Thousand Nine Hundred Ninety-Six (307,083,996) are issued and outstanding as of the Effective Date. The Company may, in its discretion, issue certificates to the Members representing the Units held by each Member. To the extent that the holder of a Unit is required by the other provisions of this Agreement to deliver or surrender such holder's certificates representing Units, then, in the event that the Units are not certificated by the Company, the Company will provide a form to be completed and delivered by such holder in lieu thereof.

2.4 ***Common Units***. Except as otherwise provided herein, all Common Units shall be identical and shall entitle the holders thereof to the same rights and privileges. The holders of Common Units shall have the general right to vote for all purposes, including the election of directors of the Board of Directors of the Company ("Directors"), as provided by applicable law and in accordance with ARTICLE V hereof. Each holder of Common Units shall be entitled to one vote for each unit thereof held. Notwithstanding anything to the contrary, to the extent prohibited by Section 1123(a)(6) under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"), the Company will not issue non-voting equity securities; provided, however the foregoing restriction will (a) have no further force and effect beyond that required under Section 1123 of the Bankruptcy Code, (b) only have such force and effect for so long as Section 1123 of the Bankruptcy Code is in effect and applicable to the Company, and (c) in all events may be amended or eliminated in accordance with applicable law as from time to time may be in effect.

2.5 ***Information***. The Company will provide or make available directly to each Member:

(a) As soon as available but in any event within one hundred and twenty (120) days after the end of each fiscal year, (A) audited consolidated annual financial statements (including an income statement, balance sheet and statement of cash flows) of the Company, accompanied by (B) a narrative discussion, prepared by the Company's management, comparing the operations of the current fiscal year and the previous fiscal year.

(b) As soon as available but in any event within sixty (60) days after the end of each of the first three quarters of each fiscal year, unaudited quarterly consolidated financial statements (including an income statement, balance sheet and statement of cash flows (each unaudited)) of the Company.

(c) Notwithstanding anything to the contrary contained in this Section 2.5, the Company shall not be required to provide information rights pursuant to Section 2.5 to any Member who is a direct competitor of the Company or its Subsidiaries or to any Member whose Affiliate is a direct competitor of the Company or its Subsidiaries (as determined in each case in good faith by the Board of Directors). Each Member agrees to hold in confidence and trust and not to misuse or disclose any confidential information provided pursuant to this Section 2.5.

2.6 ***Liability to Third Parties***. Except as otherwise expressly provided by the Act, the debts, obligations or liabilities of the Company, whether arising in contract, tort or otherwise, shall be the debts, obligations and liabilities solely of the Company, and no Member shall be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a Member.

2.7 ***Lack of Authority***. No Member has the authority or power to act for or on behalf of the Company, to do any act that would be binding on the Company, or to incur any expenditures on behalf of the Company; provided that, this Section 2.7 shall not limit the rights of any Director who is also a Member to act in such Member's capacity as a Director.

2.8 ***Withdrawal***. A Member does not have the right to withdraw from the Company as a Member (except in connection with a transfer of its Units in accordance with this Agreement) and any attempt to violate the provisions hereof shall be legally ineffective.

ARTICLE III.
CAPITAL CONTRIBUTIONS

3.1 ***Contributions***. Each Member shall make or shall have made a Capital Contribution as provided for in this Article III. As used herein, "Capital Contribution" means any contribution by a Member to the capital of the Company; provided that upon the admission of a new Member, the Capital Contribution of each Member shall be deemed equal to the capital account of such Member as revalued pursuant to this Agreement.

3.2 ***Additional Capital Contributions and Return of Contributions***. No Member shall be required to make any additional Capital Contributions to the Company or to restore any deficit in such Member's capital account. A Member is not entitled to the return of any part of its Capital Contributions or to be paid interest in respect of either its capital account or its Capital Contributions. An unrepaid Capital Contribution is not a liability of the Company or of any Member.

3.3 ***Advances by Members***. With the consent of the Board of Directors, any Member may advance funds to or on behalf of the Company on terms approved by the Board of Directors. An advance described in this Section 3.3 constitutes a loan from the Member to the Company, and is not a Capital Contribution.

3.4 ***Capital Accoun***t.

(a) A capital account shall be established and maintained for each Member. Such capital accounts shall be subject to revaluation in accordance with Reg. § 1.704-1(b)(2)(iv)(f) at such time as the Board of Directors shall determine.

(b) Each Member's capital account:

(i) shall be increased by: (A) the amount of money contributed by that Member to the Company, (B) the fair market value of property contributed by that Member to the Company (net of liabilities secured by the contributed property that the Company is considered to assume or take subject to under Section 752 of the Code), and (C) allocations to that Member of Company income and gain (or items thereof), including income and gain exempt from tax and income and gain described in Reg. § 1.704-1(b)(2)(iv)(g), but excluding income and gain described in Reg. § 1.704-1(b)(4)(i), and

(ii) shall be decreased by (A) the amount of money distributed to that Member by the Company, (B) the fair market value of property distributed to that Member by the Company (net of liabilities secured by the distributed property that the Member is considered to assume or take subject to under Section 752 of the Code), (C) allocations to that Member of expenditures of the Company described in Section 705(a)(2)(B) of the Code, and (D) allocations of Company loss and deduction (or items thereof), including loss and deduction described in Reg. § 1.704-1(b)(2)(iv)(g), but excluding items described in clause (b)(ii)(C) above and loss or deduction described in Reg. § 1.704-1(b)(4)(i) or § 1.704-1(b)(4)(iii). As used herein, "Code" means the Internal Revenue Code of 1986 and any successor statute, as amended from time to time, and "Reg." means the Income Tax Regulations, including Temporary Regulations, promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

(c) The Members' capital accounts also shall be maintained and adjusted as permitted by the provisions of Reg. § 1.704-1(b)(2)(iv) (f) and as required by the other provisions of Reg. §§ 1.704-1(b)(2)(iv) and 1.704-1(b)(4), including adjustments to reflect the allocations to the Members of depreciation, depletion, amortization, and gain or loss as computed for book purposes rather than the allocation of the corresponding items as computed for tax purposes, as required by Reg. § 1.704-l(b)(2)(iv)(g).

(d) Upon the exercise of a Warrant, the capital account of the exercising Warrant holder shall be credited with the amount of the exercise price, and the capital accounts of the exercising holder and all the other Members shall be adjusted in accordance with the rules set forth in Proposed

Treasury Reg. § 1.704-1(b)(2)(iv)(s) so that the capital account associated with each Common Unit is equal to the capital account of each other Common Unit. If Proposed Treasury Reg. § 1.704-1(b)(2)(iv)(s) is amended or replaced, these adjustments shall be made in accordance with any subsequent rules applicable to the maintenance of capital accounts upon the exercise of a noncompensatory option at the time of the exercise of the Warrant.

(e) On the transfer of all or part of a Member's Units, the capital account of the transferor that is attributable to the transferred Units or part thereof shall carry over to the transferee Member in accordance with the provisions of Reg. § 1.704-1(b)(2)(iv)(l).

3.5 ***Safe Harbor Election***. In the event that the Proposed Treasury Reg. § 1.83-3(l) is finalized, the Company shall be authorized and directed to make the Safe Harbor Election and the Company and each Member (including any Member who received Units in the Company in exchange for the performance of services, including as a result of the exercise or settlement of an Award) agrees to comply with all requirements of the Safe Harbor with respect to all Units in the Company received in connection with the performance of services (including as a result of the exercise or settlement of an Award) while the Safe Harbor Election remains effective. The Tax Matters Member shall be authorized to (and shall) prepare, and file the Safe Harbor Election.

ARTICLE IV.
ALLOCATIONS AND DISTRIBUTIONS

4.1 ***Allocations***.

(a) ***Profits***. After giving effect to any special allocations set forth in this Section 4.1, all items of income and gain of the Company for any fiscal year (or portion thereof) shall be allocated:

(i) first, to each Member, if any, with a negative capital account balance, in proportion to such negative balances, until any such negative balances have been eliminated;

(ii) second, with respect to the holders of Common Units, if the positive balances in the Common Unit Capital Accounts of such Members is not in proportion to their relative Percentage Interests, then to the holders of the Common Units in such manner so as to cause such positive balances (after taking into account all allocations to be made under this subsection) to be in proportion to such Percentage Interests; and

(iii) the balance, if any, to all holders of Common Units in proportion to their Percentage Interests.

(b) ***Losses***. After giving effect to any special allocations set forth in this Section 4.1, all items of loss and deduction of the Company shall be allocated:

(i) first, with respect to holders of Common Units, if the positive balances in the Common Unit Capital Accounts of such Members is not in proportion to their relative Percentage Interests, then to the holders of the Common Units in such

manner so as to cause such positive balances (after taking into account all allocations to be made under this subsection) to be in proportion to such Percentage Interests;

(ii) second, with respect to holders of Common Units in proportion to the positive balances in their Common Unit Capital Accounts until such balances have been reduced to zero; and

(iii) the balance, if any, to holders of Common Units in proportion to their Percentage Interests.

(c) ***Special Allocations***. The following special allocations shall be made in the following order:

(i) ***Limitation on Losses***. The losses allocated to any Member pursuant to Section 4.1(b) of this Agreement shall not exceed the maximum amount of losses that can be so allocated without causing such person to have an Adjusted Capital Account Deficit at the end of any Fiscal Year. In the event some, but not all, of the Members would have Adjusted Capital Account Deficits as a consequence of an allocation of losses pursuant to Section 4.1(b), the limitation set forth in this Section 4.1(c)(i) shall be applied on a Member-by-Member basis so as to allocate the maximum permissible losses to each Member under Reg. § 1.704-l(b)(2)(ii)(d).

(ii) ***Qualified Income Allocation***. In the event any Member unexpectedly receives any adjustments, allocations, or distributions described in Reg. §§ 1.704-l(b)(2)(ii)(d)(4), 1.704-l(b)(2)(ii)(d)(5), or 1.704-1 (b)(2)(ii)(d)(6), items of Company income and gain shall be specially allocated to each such Member in an amount and manner sufficient to eliminate, to the extent required by the Regulations, the deficit capital account balance of such Member as promptly as possible, provided, that, an allocation pursuant to this Section 4.1(c)(ii) shall be made if and only to the extent that such Member would have a deficit capital account balance after all other allocations provided for in this Section 4.1 have been tentatively made as if this Section 4.1(c)(ii) were not in this Agreement.

(iii) ***Gross Income Allocation***. In the event any Member has a deficit Capital Account at the end of any fiscal year which is in excess of the sum of (i) the amount such Member is obligated to restore pursuant to this Agreement, if any, and (ii) the amount such Member is deemed to be obligated to restore pursuant to the penultimate sentences of Reg. §§ 1.704-2(g)(l) and 1.704-2(i)(5), each such Member shall be specially allocated items of Company income and gain in the amount of such excess as quickly as possible, provided that, an allocation pursuant to this Section 4.1(c)(iii) shall be made if and only to the extent that such Member would have a deficit Capital Account in excess of such sum after all other allocations provided for in this Section 4.1 have been tentatively made as if this Section 4.1(c)(iii) was not in the Agreement.

(iv) ***Impact of Company Indebtedness***. In the event that the Company incurs indebtedness in any material amount, then the allocation provisions set forth

herein shall be deemed to be further modified so as to reflect inclusion of a Company and, if applicable, Member minimum gain chargeback consistent with that set forth in Reg. §§ 1.704-2(f) and (i)(4), which allocations shall be applied before application of the other special allocation provisions set forth in this Section 4.1(c).

(v) ***Curative Allocations.*** The allocations set forth in this Section 4.1(c) (the "Regulatory Allocations") are intended to comply with certain requirements of the Treasury Regulations promulgated under Code Section 704(b). It is the intent of the Members that, to the extent possible, all Regulatory Allocations shall be offset either with other Regulatory Allocations or with special allocations of other items of Company income, gain, loss, or deduction pursuant to this Section 4.1(c)(v). Therefore, notwithstanding any other provision of this Section 4.1 (other than the Regulatory Allocations), the Company shall make such offsetting special allocations of Company income, gain, loss, or deduction in whatever manner it determines appropriate so that, after such offsetting allocations are made, each Member's capital account balance is, to the extent possible, equal to the capital account balance such Member would have had if the Regulatory Allocations were not part of the Agreement and all Company items were allocated pursuant to Sections 4.1(a) (other than Section 4.1(c)).

(vi) "Adjusted Capital Account Deficit" means, with respect to any Member, the deficit balance, if any, in such Member's capital account as of the end of the relevant fiscal year, after giving effect to the following adjustments:

(1) Credit to such capital account any amounts which such Member is obligated to restore or is deemed to be obligated to restore pursuant to the penultimate sentences of Reg. §§ 1.704-2(g)(l) and 1.704-2(i)(5); and

(2) Debit to such Capital Account the items described in Reg. §§ 1.704-l(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) and 1.704- l(b)(2)(ii)(d)(6).

The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Reg. § 1.704-l(b)(2)(ii)(d) and shall be interpreted consistently therewith.

(d) ***Transfers of Units***. All items of income, gain, loss, deduction and credit allocable to any Unit that may have been transferred or otherwise disposed of shall be allocated between the transferor and the transferee based on the percentage of the calendar year during which each was recognized as owning that Unit, without regard to the results of Company operations during any particular portion of that calendar year and without regard to whether cash distributions were made to the transferor or the transferee during that calendar year; provided, however, that this allocation must be made in accordance with a method permissible under Section 706 of the Code and the regulations thereunder.

(e) ***Section 704(c) Allocations***. Solely for tax purposes, income, gain, loss and deduction with respect to any property contributed to the capital of the Company or for which the adjusted tax basis and book value differ shall be allocated among the Members so as to take account of any variation between adjusted tax basis and book value. The allocations provided in this Section 4.1 are intended to comply with the requirements of Section 704 of the Code and Treasury Regulations thereunder and shall be interpreted (or modified, to the extent necessary) in such manner as is consistent with such requirements, as determined by the Company's Tax Matters Partner (defined below). For purposes of allocations under Section 704(c) of the Code, the Company shall use the allocation method or methods as determined by the Board of Directors.

(f) ***Allocations Upon Exercise of Warrants***. In accordance with Proposed Treasury Reg. § 1.704-1(b)(2)(s) and 1.704-1(b)(4)(ix) and solely for tax purposes, corrective allocations of income, gain, loss and deduction shall be made among the Members upon the exercise of a Warrant and thereafter. If these Proposed Treasury Regulations are amended or replaced, then such allocations shall be made in accordance with any subsequent rules applicable to maintenance of capital accounts and allocations resulting therefrom upon the exercise of a noncompensatory option at the time of the exercise of the Warrant. Any elections or other decisions relating to such allocations shall be made by the Board of Directors in any manner that reasonably reflects the purpose and intention of this Agreement. Allocations pursuant to this Section 4.1(f) are solely for purposes of federal, state and local taxes and shall not affect or in any way be taken into account in computing any Member's capital account or share of profits, losses other items or distributions to any provision of this Agreement.

(g) ***Allocations Upon Forfeiture of Exercised Awards***. In accordance with Proposed Treasury Reg. § 1.704-1(b)(4)(xii) and Internal Revenue Service Notice 2005-43, issued on May 19, 2005, and solely for tax purposes, in any year in which Units received in exchange for performance of services (including Units received upon exercise or settlement of an Award) are forfeited, the company shall cause (i) forfeiture allocations to be made in the year of forfeiture, and (ii) all material allocations and capital account adjustments in this Agreement not pertaining to the Unit received in exchange for services (including Units received upon exercise or settlement of an Award) to be recognized under Section 704(b). If these Proposed Treasury Regulations are amended or replaced, then such allocations shall be made in accordance with any subsequent rules applicable to allocations and adjustments required to be made upon forfeiture of Units received upon exercise or settlement of the Award. Any elections or other decisions relating to such allocations shall be made by the Board of Directors in any manner that reasonably reflects the purpose and intention of this Agreement. Allocations and adjustments pursuant to this Section 4.1(g) are solely for purposes of federal, state and local taxes and shall not affect or in any way be taken into account in computing any Member's capital account or share of profits, losses other items or distributions to any provision of this Agreement.

4.2 ***Distributions***.

(a) ***Regular Distributions***. The Board of Directors shall have the authority to reinvest the Company's cash generated from operations and dispositions of assets, including the sale or other disposition of equity interests in a related company in which the Company invests directly or indirectly. Consequently, distributions to Members of the Company's cash or other assets shall be made only at such times and in such amounts as authorized by the Board of Directors and the Board of Directors shall have no obligation or duty to distribute cash or other assets to the Members prior to the dissolution and liquidation of the Company. Distributions, if any, shall be made with respect to holders

of Common Units, to all such Members in proportion to their Percentage Interests. Notwithstanding any provision to the contrary contained in this Agreement, the Company shall not be required to make a distribution to any Member on account of its Units if such distribution would violate the Act or any other Applicable Law.

(b) ***Tax Distributions***.

(i) Notwithstanding Section 4.2(a), with respect to each taxable period of the Company, the Company shall, to the extent of available funds, make a Tax Distribution to the Members; provided, that such distribution shall only be made if and to the extent that the Board of Directors determines that the distribution does not violate or breach, or constitute a termination, cancellation or acceleration of, any obligation, contract, agreement or other instrument of the Company.

(ii) "Tax Distribution" means, for the applicable taxable period, an aggregate cash distribution to the Members equal to (1) the taxable income of the Company for the taxable period multiplied by (2) an assumed tax rate equal to (A) the maximum federal income tax rate for corporations in effect for the taxable period plus (B) six percent (6%). The amount of the Tax Distribution shall be determined by the Company's independent accounting firm.

(iii) Tax Distributions shall be distributed among the Members in accordance with their ownership of the Units in the same manner as provided for in Section 4.2(a).

(iv) Subject to Section 4.2(b)(i), the Company shall make the Tax Distribution, if any, for an applicable taxable period in four installments based on a reasonable estimate of the year's anticipated taxable income. Such installments shall be distributed no later than the tenth day of each of April, June, September and December of the year.

(c) ***Withholding***. The Company shall be entitled to withhold and pay over any federal, state or foreign income taxes as required by applicable law and any such payments with respect to the income or distributions of a Member shall be treated as a distribution to the Member on whose behalf the withholding occurs.

ARTICLE V.
DIRECTORS

5.1 ***Delegation of Rights and Powers.***

(a) Subject to the delegation of rights and powers provided for herein, the board of directors of the Company, (the "Board of Directors" or the "Board") shall have the sole right to manage the business and affairs of the Company and shall have all powers and rights necessary, appropriate or advisable to effectuate and carry out the purposes and business of the Company, including, without limitation, the right to sell all or substantially all of the assets of the Company, to convert the Company to a corporation or to consummate a public offering of Securities.

(b) No Member, by reason of such Member's status as a Member, shall have any authority to act for or bind the Company but shall have only the right to vote on or approve the actions to be voted on or approved by such Member as specified in this Agreement or as required under the Act.

(c) The officers of the Company shall be elected, removed and perform such functions as are provided in ARTICLE VI. The Board of Directors may delegate to any officer of the Company or to any such other Person such authority to act on behalf of the Company as the Board of Directors may from time to time deem appropriate in its sole discretion.

5.2 ***Number; Term***.

(a) The number of Directors of the Company shall initially be five (5) and thereafter, the number of members of the Board of Directors (each, a "Director" and collectively, the "Directors") may be determined from time to time by a majority vote of the Directors then in office. No decrease in the number of Directors shall have the effect of shortening the term of any incumbent Director except by the affirmative vote of the Required Interests. The initial Directors are set forth on Schedule I hereto. Each Director shall have one (1) vote with respect to any matters that come before the Board of Directors. Each Director is hereby designated as a "manager" of the Company within the meaning of Section 18-101(10) of the Act.

(b) Except as otherwise provided herein, the Directors shall be elected at any annual or special meeting of the Members (or by written consent in lieu of a meeting of the Members) and will serve until their successors are duly elected and qualified pursuant to the terms of this Agreement or until their earlier death, disability, resignation, termination (with cause or without cause) or other removal. So long as Avenue and its Affiliates own at least twenty-five percent (25%) of the then outstanding Common Units, the Board of Directors shall be constituted as follows: (i) Avenue shall have the right to appoint a majority of the Directors (the "Avenue Designated Directors"), (ii) one of the Directors shall be the President and Chief Executive Officer of the Company, and (iii) the remaining Directors will be elected by the affirmative vote of the Required Interests. When Avenue and its Affiliates no longer own at least twenty-five percent (25%) of the outstanding Common Units, the Board of Directors shall be constituted as follows: (A) one of the Directors shall be the President and Chief Executive Officer of the Company and (B) the remaining Directors will be elected by a plurality of the votes cast at the meeting.

5.3 ***Vacancies; Removals***.

(a) Other than any vacancy caused by the death, resignation, retirement, disqualification or removal of an Avenue Designated Director, which vacancy may only be filled by Avenue so long as Avenue and its Affiliates own at least twenty-five percent (25%) of the then outstanding Common Units, vacancies resulting from death, resignation, retirement, disqualification, removal or other cause and newly created vacancies resulting from an increase in the number of Directors shall be filled by a majority vote of the Directors then in office, even if the number of such Directors then in office is less than a quorum, or by a sole remaining Director, if applicable. Any Director appointed in accordance with this Section 5.3 shall hold office until the next annual election of Directors and until his or her successor shall have been elected and

qualified, subject to such Director's earlier death, resignation, retirement, disqualification or removal.

(b) Other than with respect to the Avenue Designated Directors (who may be removed by Avenue and, in the event Avenue and its Affiliates own less than twenty-five percent (25%) of the then outstanding Common Units, may also be removed by a vote of the Required Interest), a Director may be removed from the Board of Directors by a vote of the Required Interest. Any vacancy created by the removal of any former Director (other than an Avenue Designated Director so long as Avenue and its Affiliates own at least twenty-five percent (25%) of the then outstanding Common Units) may be filled by the Required Interest or by a majority of the Directors then in office unless filled by the Required Interest. So long as Avenue and its Affiliates own at least twenty-five percent (25%) of the then outstanding Common Units, any vacancy created by any former Avenue Designated Director may only be filled by Avenue.

5.4 ***Subsidiaries***. The composition of the board of directors (or similar governing body) of any of the Company's Subsidiaries shall be determined by a majority vote of the Directors then in office.

5.5 ***Meetings of the Board of Directors***.

(a) All meetings of the Board of Directors may be held at any place that has been designated from time to time by resolution of the Board of Directors or in any notice properly given with respect to such meeting. In the absence of such a designation, regular meetings shall be held at the principal place of business of the Company. Any meeting, regular or special, may be held by conference telephone or similar communication equipment; provided that all Directors participating in the meeting can hear one another, and all Directors participating by telephone or similar communication equipment shall be deemed to be present in person at the meeting.

(b) Regular meetings of the Board of Directors shall be held at such times and at such places as shall be fixed by approval of the Directors in accordance with the terms of this Agreement.

(c) Special meetings of the Board of Directors for any purpose or purposes may be called at any time by any of the Directors. Notice of the time and place of a special meeting shall be delivered personally to each Director and sent by first class mail, by telegram, telecopy or email (or similar electronic means) or by nationally recognized overnight courier, charges prepaid, addressed to each Director at that Director's address as it is shown on the records of the Company. If the notice is mailed, it shall be deposited in the United States mail at least five (5) Business Days before the date of the meeting. If the notice is delivered personally or by telephone or by telegram, telecopy or email (or similar electronic means) or overnight courier, it shall be given at least twenty-four (24) hours before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated either to the Director or to a Person designated by such Director to receive such notice. Any notice of a special meeting shall state generally the nature of the business to be transacted as such meeting.

(d) A majority of the Directors shall constitute a quorum for the transaction of business. Every act done or decision made by the affirmative vote of the Directors holding a majority of

the votes present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, except to the extent that the vote of a higher number is required by this Agreement or Applicable Law.

(e) Notice of any meeting need not be given to any Director who either before or after the meeting signs a written waiver of notice, a consent to holding the meeting or an approval of the minutes. The waiver of notice or consent shall specify the purpose of the meeting. All such waivers, consents and approvals shall be filed with the records of the Company or be made a part of the minutes of the meeting. Notice of a meeting shall also be deemed given to any Director who attends the meeting without protesting at or prior to its commencement the lack of notice to that Director.

(f) Directors present at any meeting entitled to cast a majority of all votes entitled to be cast by such Directors, whether or not constituting a quorum, may adjourn any meeting to another time and place. Notice of the time and place of holding an adjourned meeting need not be given unless the meeting is adjourned for more than forty-eight (48) hours, in which case notice of the time and place shall be given before the time of the adjourned meeting in the manner specified in Section 5.5(c) hereof.

(g) Any action which could be taken by the Board of Directors at a meeting may be taken without such meeting by the written consent of all the Directors entitled to act at such meeting. Any such written consent may be executed and given by telecopy, email or similar electronic means. Such written consents shall be filed with the minutes of the proceedings of the Board of Directors.

5.6 ***Payments to Directors; Reimbursements***. Except as otherwise determined by the Board of Directors (by the vote or written consent of a majority of the votes of the disinterested Directors then in office), no Director shall be entitled to remuneration by the Company for services rendered in his or her capacity as a Director (other than for reimbursement of reasonable out-of-pocket expenses of such Director). All Directors will be entitled to reimbursement of their reasonable out-of-pocket expenses incurred in connection with their attendance at Board of Directors meetings.

5.7 ***Competitive Opportunity***. The Members and the Company recognize that the Members, their Affiliates and the Directors: (i) may have participated, directly or indirectly, and may continue to participate (including, without limitation, in the capacity of investor, director, officer and employee) in businesses that are similar to or compete with the business (or proposed business) of the Company; (ii) may have interests in, participate with, aid and maintain seats on the board of directors of other such entities; and (iii) may develop opportunities for such entities (collectively, the "Position"). In such Position, the Members, their Affiliates and the Directors may encounter business opportunities that the Company or its Members may desire to pursue. The Members and the Company agree that the Members, their Affiliates and the Directors shall have no obligation to the Company, the Members or to any other Person to present any such business opportunity to the Company before presenting and/or developing such opportunity with any other Persons, other than such opportunities specifically presented to any such Member or Director for the Company's benefit in his or her capacity as a Member or Director of the Company. Each Member and the Company acknowledges and agrees that, in any such case, to the extent a court might hold that the conduct of such activity is a breach of a duty to the Company, such Member and the Company hereby waive any and all claims and causes of action that such Member and/or the Company believes that it may have for such activities. Each

Member and the Company further agrees that the waivers and agreements in this Agreement identify certain types and categories of activities which do not violate any duty of loyalty to the Company, and such types and categories are not manifestly unreasonable. The waivers and agreements in this Agreement apply to activities conducted before and after the date hereof.

5.8 ***Committees***. The Board of Directors may, from time to time, designate one or more committees, each committee to consist of one or more Directors. Any such committee shall have such powers and authority as provided in the enabling resolution of the Company with respect thereto. At every meeting of any such committee, the presence of all members thereof shall constitute a quorum and the affirmative vote of a majority of all committee members shall be necessary for the adoption of any resolution; provided, that the Board of Directors shall have the authority to lower the number of committee members so required to constitute a quorum so long as such number is at least a majority of the total number of committee members, and to lower the number of committee members whose affirmative vote is so required to adopt a resolution so long as such number is at least a majority of the committee members present at any meeting at which a quorum is present. The Board of Directors may dissolve any committee at any time, unless otherwise provided in this Agreement.

ARTICLE VI.
OFFICERS

6.1 ***Designation and Appointment***. The Board of Directors may, from time to time, employ and retain persons as may be necessary or appropriate for the conduct of the Company's business (subject to the supervision and control of the Board of Directors), including employees, agents and other persons (any of whom may be a Member or Director) who may be designated as Officers of the Company ("Officers"), with titles including but not limited to "chairman of the board," "chief executive officer," "president," "vice president," "treasurer," "Secretary," "general counsel," "director" and "chief financial officer," as and to the extent authorized by the Board of Directors. Any number of offices may be held by the same person. In the Board of Directors' discretion, the Board of Directors may choose not to fill any office for any period as it may deem advisable. Officers need not be residents of the State of Delaware or Members. Any Officer so designated shall have such authority and perform such duties as is customary for an officer of such type for a corporation or as the Board of Directors may, from time to time, delegate to such Officer. The Board of Directors may assign titles to particular Officers. Each Officer shall hold office until his or her successor shall be duly designated and shall have qualified as an Officer or until his or her death or until he or she shall resign or shall have been removed in the manner hereinafter provided. The salaries or other compensation, if any, of the Officers of the Company shall be fixed from time to time by the Board of Directors.

6.2 ***Resignation and Removal***. Any Officer may resign as such at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or if no time be specified, at the time of its receipt by the Board of Directors. The acceptance by the Board of Directors of a resignation of any Officer shall not be necessary to make such resignation effective, unless otherwise specified in such resignation. Any Officer may be removed as such, either with or without cause, at any time by the Board of Directors. Designation of any person as an Officer by the Board of Directors pursuant to the provisions of

Section 6.1 shall not in and of itself vest in such person any contractual or employment rights with respect to the Company.

6.3 ***Duties of Officers Generally***. The Officers, in the performance of their duties as such, shall (i) owe to the Company duties of loyalty and due care of the type owed by the officers of a corporation to such corporation and its stockholders under the laws of the State of Delaware, and (ii) keep the Board of Directors reasonably apprised of material developments in the business of the Company.

6.4 ***Chairman of the Board***. The Chairman of the Board of Directors, when present, shall preside at all meetings of the Members and the Board of Directors. The Chairman of the Board of Directors shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time. If there is no Chief Executive Officer or President, then the Chairman of the Board of Directors shall also serve as the Chief Executive Officer of the Company and shall have the powers and duties prescribed in Section 6.5.

6.5 ***Chief Executive Officer***. The Chief Executive Officer shall, subject to the control of the Board of Directors, be responsible for the general supervision, direction and control of the business and the officers of the Company. He or she shall have the general powers and duties of management usually vested in the office of President of a business entity and shall have such other powers and duties as may be prescribed by the Board of Directors or this Agreement. The Board of Directors shall initially designate Sang Park as Chairman of the Board and Chief Executive Officer of the Company.

6.6 ***President***. Unless some other officer has been elected Chief Executive Officer of the Company, the President shall be the chief executive officer of the Company and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the Company. He or she shall have the general powers and duties of management usually vested in the office of President of a business entity and shall have such other powers and duties as may be prescribed by the Board of Directors, the Chief Executive Officer (if the President is not the chief executive officer of the Company) or this Agreement.

6.7 ***Vice President(s)***. The vice president(s) of the Company shall perform such duties and have such other powers as the president of the Company or the Board of Directors may from time to time prescribe. A vice president may be designated as an executive vice president, a senior vice president, an assistant vice president, or a vice president with a functional title.

6.8 ***Secretary***. The Secretary shall keep or cause to be kept at the principal place of business of the Company, or such other place as the Board of Directors may direct, a book of minutes of all meetings and actions of the Board of Directors, committees or other delegates of the Board of Directors and the Members. The Secretary shall keep or cause to be kept at the principal place of business of the Company a register or a duplicate register showing the names of all Members and their addresses, the class and equity interests in the Company held by each, the number and date of certificates issued for the same, if any, and the number and date of

cancellation of every certificate surrendered for cancellation, if any. The Secretary shall give or cause to be given notice of all meetings of the Members and of the Board of Directors (or committees or other delegates thereof) required to be given by this Agreement or by Applicable Law and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or by this Agreement.

6.9 ***Treasurer***. The Treasurer shall be the chief financial officer of the Company and shall keep and maintain or cause to be kept and maintained adequate and correct books and records of accounts of the properties and business transactions of the Company. The books of account shall at all reasonable times be open to inspection by any Director. The Treasurer shall deposit all monies and other valuables in the name and to the credit of the Company with such depositaries as may be designated by the Board of Directors. He or she shall disburse the funds of the Company as may be ordered by the Board of Directors, shall render to the President and the Board of Directors, whenever they request it, an account of all of his or her transactions as chief financial officer and of the financial condition of the Company and shall have other powers and perform such other duties as may be prescribed by the Board of Directors or this Agreement.

ARTICLE VII.
MEETINGS OF MEMBERS

7.1 ***Meetings of Members***.

(a) All meetings of the Members shall be held at the principal place of business of the Company or at such other place within or without the State of Delaware as shall be specified or fixed in the notices (or waivers of notice thereof). Except as otherwise required by law or as otherwise provided herein, only holders of Common Units shall be entitled to notice of, to attend and to vote at meetings of the Members.

(b) An annual meeting of the Members shall be held for the purpose of election of the Directors and for the transaction of such other business as may properly come before the meeting. Any meeting of Members shall be held on such date and at such time as the Board of Directors shall fix and set forth in the notice of the meeting.

(c) Special meetings of the Members for any proper purpose or purposes may be called at any time by the Board of Directors or upon the request of a Required Interest (defined below). Only business within the purpose or purposes described in the notice (or waiver thereof) required by this Agreement may be conducted at a special meeting of the Members. As used herein, "Required Interest" means one or more Members owning among them more than 50% of the then outstanding Common Units.

(d) All meetings of the Members shall be presided over by the chairman of the meeting, who shall be a Director designated by a majority of the Board of Directors. The chairman of any meeting of Members shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as seem to him or her in order.

7.2 ***Notice***. Written notice stating the place, day and hour of any meeting of the Members and, with respect to a special meeting of the Members, the purpose or purposes for

which the meeting is called, shall be delivered not less than ten (10) nor more than sixty (60) days before the date of such meeting by or at the direction of the Directors or person calling the meeting, to each Member entitled to vote at such meeting.

7.3 ***Quorum; Voting***.

(a) Except as otherwise provided in the Certificate or this Agreement or required by applicable law, a quorum shall be present at a meeting of Members if the holders of a Required Interest are represented at the meeting in person or by proxy.

(b) A Member may vote either in person or by proxy executed in writing by the Member. A proxy shall be revocable unless the proxy form conspicuously states that the proxy is irrevocable. Except as otherwise provided in the Certificate or this Agreement or required by applicable law, with respect to any matter, the affirmative vote of a majority of those present at a meeting of Members at which a quorum is present shall be the act of the Members.

7.4 ***Action by Written Consent***. Any action which could be taken by the Members at an annual or special meeting of Members may be taken by the Members, without a meeting, without prior notice and without a vote, if a consent or consents in writing setting forth the action so taken is signed by the holders of a Required Interest (or holders of such higher aggregate percentage of Unit as is required to authorize or take such action under the terms of the Certificate, this Agreement or Applicable Law). Any such written consent may be executed and ascribed to by facsimile or similar electronic means.

7.5 ***Record Date***. The Board of Directors may fix a record date for purposes of determining Members entitled to notice of or vote at a meeting of Members (including any adjournment thereof), Members entitled to consent to action by written consent, and Members entitled to receive payment of any dividend or other distribution or allotment of any rights, which such record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors and which such record date shall not be more than sixty nor less than ten days before the date of such meeting, consent or payment.

7.6 ***Adjournment***. The chairman of the meeting or the holders of a Required Interest shall have the power to adjourn such meeting from time to time, without any notice other than announcement at the meeting of the time and place of the holding of the adjourned meeting. If such meeting is adjourned by the Members, such time and place shall be determined by a vote of the holders of a Required Interest and no notice of the adjourned meeting need be given if such time and place are announced at the meeting at which the adjournment is taken. Upon the resumption of such adjourned meeting, any business may be transacted that might have been transacted at the meeting as originally called.

7.7 ***Conversion***.

(a) Immediately prior to the consummation of an IPO authorized by the Board of Directors, the Members and Board of Directors will take all necessary and desirable actions in consummation of any such IPO, and, if approved by the Board of Directors, effect a Solvent Reorganization of the Company into a corporation and/or an exchange of the Units into Securities of the Company or its Subsidiaries or distribution of Securities of the Company or its Subsidiaries in respect of

Units (the "Reclassified Securities") the Board of Directors finds acceptable; provided, that (i) the Reclassified Securities provide each Member with substantially similar economic interest, governance, priority, vesting and other rights and privileges as such Member had prior to such recapitalization and/or exchange (prior to giving effect to the effect of the IPO on the terms of this Agreement) and are consistent with the rights and preferences attendant to such Units as set forth in this Agreement or Applicable Law as in effect immediately prior to such IPO and (ii) except as otherwise provided herein, the provisions of this Agreement shall apply to the Reclassified Securities and the issuer thereof as such provisions apply to the Units and the Company, *mutatis mutandis*.

7.8 ***Merger and Consolidation***. Pursuant to an agreement of merger or consolidation, the Company may merge or consolidate with or into one or more limited liability companies or one or more other business entities (as defined in the Act); provided that such merger or consolidation is approved by the Board of Directors and authorized by the affirmative vote of the Required Interest.

7.9 ***Sale of Assets***. The Company may sell, lease or exchange all or substantially all of its property and assets upon such terms and conditions and for such consideration as the Board of Directors deems expedient and for the best interests of the Company, provided that such sale, lease or exchanges is approved by the Board of Directors and authorized by a resolution adopted by the Required Interest at a special meeting duly called for purposes of considering such sale, lease or exchange.

ARTICLE VIII.
INDEMNIFICATION

8.1 ***Right to Indemnification***.

(a) No Member shall have any fiduciary or other duty to another Member with respect to the business and affairs of the Company. No Member shall have any responsibility to restore any negative balance in his capital account or to contribute to or in respect of the liabilities or obligations of the Company or to return distributions made by the Company, except as required by the Act or other Applicable Law.

(b) To the fullest extent permitted by Applicable Law, no Director of the Company shall be personally liable to the Company or to any Member or other person or entity who may become a party to or bound by this Agreement for any losses, claims, damages or liabilities arising from any act or omission performed or omitted by the Director of the Company in connection with this Agreement or the Company's business and affairs or for breach of any duties (including fiduciary duties) arising under or in connection with this Agreement or the Company, except for any losses, claims, damages or liabilities primarily attributable to the Director's willful misconduct, bad faith, recklessness or gross negligence, as finally determined by a court of competent jurisdiction, or as otherwise required by law.

(c) To the fullest extent permitted by Applicable Law, no Member, Director, officer, or any direct or indirect officer, director, Affiliate stockholder, member or partner of a Member (each, an "Indemnitee"), shall be liable, responsible or accountable in damages or otherwise to the Company or any Member for any act or failure to act by such Indemnitee in connection with the conduct of the business of the Company, or by any other such Indemnitee in performing or participating in the

performance of the obligations of the Company, so long as such action or failure to act was not in material violation of this Agreement and did not constitute gross negligence or willful misconduct.

(d) To the fullest extent permitted by Applicable Law, the Company shall indemnify and hold harmless each Indemnitee to the fullest extent permitted by Applicable Law against losses, damages, liabilities, costs or expenses (including reasonable attorneys' fees and expenses and amounts paid in settlement) incurred by any such Indemnitee in connection with any action, suit or proceeding to which such Indemnitee may be made a party or otherwise involved or with which it shall be threatened by reason of its being a Member, Director, officer, or any direct or indirect officer, director, Affiliate stockholder or partner of a Member, or while acting as (or on behalf of) a Member on behalf of the Company or in the Company's interest. Such attorneys' fees and expenses shall be paid by the Company as they are incurred upon receipt, in each case, of an undertaking by or on behalf of the Indemnitee to repay such amounts if it is ultimately determined that such Indemnitee is not entitled to indemnification with respect thereto.

(e) The right of an Indemnitee to indemnification hereunder shall not be exclusive of any other right or remedy that a Member, Director or officer may have pursuant to Applicable Law or this Agreement.

(f) An Indemnitee shall be fully protected in relying in good faith upon the records of the Company and upon such information, opinions, reports or statements presented to the Company by any Person as to matters the Indemnitee reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, or any other facts pertinent to the existence and amount of assets from which distributions to the Member might properly be paid.

(g) To the extent that, at law or in equity, an Indemnitee has duties (including fiduciary duties) and liabilities relating thereto to the Company or to any other Indemnitee, an Indemnitee acting within the scope of this Agreement shall not be liable to the Company or to any other Indemnitee for its good faith reliance on the provisions of this Agreement or any approval or authorization granted by the Company or any other Indemnitee. The provisions of this Agreement, to the extent that they restrict the duties and liabilities of an Indemnitee otherwise existing at law or in equity, are agreed by the Members to replace such other duties and liabilities of such Indemnitee.

(h) The foregoing provisions of this Section 8.1 shall (a) survive any termination of this Agreement and (b) be contract rights, and no amendment, modification, supplement, restatement or repeal of this Section 8.1 shall have the effect of limiting or denying any such rights with respect to actions giving rise to losses, damages, liabilities, costs or expenses (including reasonable attorneys' fees and expenses and amounts paid in settlement) prior to any such amendment, modification, supplementation or repeal.

8.2 ***Insurance and Other Indemnification***. The Board of Directors shall have the power to (i) authorize the Company to purchase and maintain, at the Company's expense, insurance on behalf of the Company and on behalf of others to the extent that power to do so has not been prohibited by Applicable Law, (ii) create any fund of any nature, whether or not under

the control of a trustee, or otherwise secure any of its indemnification obligations, and (iii) give other indemnification to the extent permitted by Applicable Law.

ARTICLE IX.
TAXES

9.1 ***Tax Returns***. The Board of Directors shall cause the Company to prepare and file all necessary U.S. federal, state, local and foreign tax returns for the Company including making the elections described in Section 9.2. Each Member shall furnish to the Company all pertinent information (including without limitation form W-8BEN, W-8ECI or W-8EXP, as applicable) in its possession relating to Company operations that is necessary to enable the Company's tax returns to be prepared and filed. Such tax returns will duly reflect the allocation of income, gain, loss and deduction set forth in Article IV of this Agreement.

9.2 ***Tax Elections***. To the extent permitted by applicable tax law, the Company shall make the following elections on the appropriate tax returns:

(a) to adopt the fiscal year ending December 31 as the Company's taxable year; and

(b) to adopt the accrual method of accounting and to keep the Company's books and records on the accrual basis method.

Neither the Company nor any Director or Member may make an election for the Company to be excluded from the application of the provisions of subchapter K of chapter 1 of subtitle A of the Code or any similar provisions of applicable state law, and no provision of this Agreement shall be construed to sanction or approve such an election.

9.3 ***Tax Allocations and Reports***. The Company shall take reasonable efforts so that within three calendar months after the end of each fiscal year, the Board of Directors shall cause the Company to furnish each Member an Internal Revenue Service Form K-l, Form 5471 and any similar form required for the filing of state or local income tax returns for such Member for such fiscal year, which forms will duly reflect the allocation of income, gain, loss and deduction set forth in Article IV of this Agreement. Upon the written request of any such Member and at the expense of such Member, the Company will use reasonable efforts to deliver or cause to be delivered any additional information necessary for the preparation of any federal, state, local and foreign income tax return which must be filed by such Member.

(a) The Tax Matters Partner will determine whether to make or revoke any available election pursuant to the Code. Each Member will, upon request, supply the information necessary to give proper effect to any such election.

(b) The Board of Directors shall designate a Member to act as the "Tax Matters Partner" (as defined in Section 6231(a)(7) of the Code) in accordance with Sections 6221 through 6233 of the Code. Upon such designation, the Tax Matters Partner shall be authorized and required to represent the Company (at the Company's expense) in connection with all examinations of the Company's affairs by tax authorities, including resulting administrative and judicial proceedings, and to expend Company funds for professional services and costs associated therewith; provided that, the Tax Matters Partner may be removed and replaced by, and shall act in such capacity at the direction of, the

Board of Directors. Each Member agrees to cooperate with the Tax Matters Partner and to do or refrain from doing any or all things reasonably requested by the Tax Matters Partner with respect to the conduct of such proceedings. Subject to the foregoing proviso, the Tax Matters Partner will have reasonable discretion to determine whether the Company (either on its own behalf or on behalf of the Members) will contest or continue to contest any tax deficiencies assessed or proposed to be assessed by any taxing authority. Any deficiency for taxes imposed on any Member (including penalties, additions to tax or interest imposed with respect to such taxes) will be paid by such Member, and if paid by the Company, will be recoverable from such Member (including by offset against distributions otherwise payable to such Member). Each Director will be provided with a copy of all tax returns filed by the Company and the Tax Matters Partner will consult with and keep the Board of Directors fully informed about the status of all material tax examinations, controversies and proceedings.

9.4 ***Partnership for U.S. Federal Tax Purposes***. Prior to the effective time of an affirmative election for the Company to be treated as a corporation for U.S. federal income tax purposes or prior to the time the Company is converted to a corporation under Delaware (or other state) law, whether by operation of law, merger, or otherwise, for U.S. federal tax purposes the parties agree to treat the Company as a partnership and to treat all Units as interests in such partnership and no party shall take any position inconsistent with this characterization in any tax return or otherwise.

9.5 ***Unrelated Business Taxable Income***. The Company will operate and make investments in a manner that will not cause a non-U.S. Member to be obligated to file tax returns as a result of income that is effectively connected with the conduct of a trade or business within the United States within the meaning of Sections 871 and 882 of the Code, or as a result of the application of Section 897 of the Code. The Company will operate and make investments in a manner that will not cause a any Tax Exempt Member or beneficial owner thereof to realize any "unrelated business taxable income" within the meaning of Sections 512 through 514 of the Code or any item of gross income that would be included in determining such Member's (or beneficial owner's) unrelated business taxable income.

ARTICLE X.
BOOKS, RECORDS, REPORTS, AND BANK ACCOUNTS

10.1 ***Book***. The Company shall maintain complete and accurate books of account of the Company's affairs at the Company's principal office, which books shall be open to inspection by any Member (or its authorized representative) to the extent required by the Act.

10.2 ***Company Funds***. Except as specifically provided in this Agreement or with the approval of the Board of Directors, the Company shall not pay to or use for, the benefit of any Member (except in any Member's capacity as a Director, employee or independent contractor of the Company), funds, assets, credit, or other resources of any kind or description of the Company. Funds of the Company shall (i) be deposited only in the accounts of the Company in the Company's name, (ii) not be commingled with funds of any Member, and (iii) be withdrawn only upon such signature or signatures as may be designated in writing from time to time by the Board of Directors.

ARTICLE XI.
DISSOLUTION, LIQUIDATION, AND TERMINATION

11.1 ***Dissolution***. The Company shall dissolve and its affairs shall be wound up on the first to occur of the following:

(a) the decision of the Board of Directors to dissolve and liquidate the Company;

(b) the written consent of Members owning a majority of the Common Units; and

(c) entry of a decree of judicial dissolution of the Company under Section 18-802 of the Act.

The Company shall not be dissolved by the admission of Members in accordance with the terms of this Agreement. The death, insanity, retirement, resignation, expulsion, bankruptcy or dissolution of a Member or the occurrence of an event that terminates the continued membership of a Member in the Company, shall not cause the Company to be dissolved and its affairs wound up so long as the Company at all times has at least one Member. Upon the occurrence of any such event, the business of the Company shall be continued without dissolution.

11.2 ***Liquidation and Termination***.

(a) On dissolution of the Company, Company shall conduct only such activities as are necessary to wind up its affairs (including the sale of the assets of the Company in an orderly manner) and the Directors who have not wrongfully dissolved the Company shall act as liquidator or may appoint one or more Members as liquidator. The liquidator shall wind up the affairs of the Company as provided in the Act and shall have all the powers set forth in the Act. The costs of liquidation shall be a Company expense.

(b) Upon the winding up of the Company, the assets of the Company shall first be distributed to creditors, including Members and Directors who are creditors, to the extent otherwise permitted by Applicable Law, in satisfaction of liabilities of the Company (whether by payment or the making of reasonable provision for payment thereof) other than liabilities for which reasonable provision for payment has been made.

(c) Any assets remaining after the Company's liabilities and obligations have been paid (or reasonable provision for the payment thereof has been made) shall be distributed to the Members in accordance with the positive capital account balances of the Members, as determined after taking into account all capital account adjustments for the Company's taxable year during which such liquidation occurs (other than those made as a result of this Section), by the end of such taxable year or, if later, within 90 days after the date of such liquidation, except as permitted by Reg. § 1.704- l(b)(2)(ii)(b).

(d) If, at the discretion of the Board of Directors, any assets of the Company are distributed in-kind to the Members, such assets shall be valued on the basis of the fair market value thereof as determined by the Board of Directors in their reasonable discretion on the date of distribution. Without limiting the Board of Directors' discretion to make such a valuation or requiring that any such appraisal be made, the valuation of any asset by the Board of Directors on the basis of the determination

of its fair market value by an independent appraiser shall be deemed to be a reasonable value for such asset and a reasonable exercise of such discretion. Upon any such in-kind distribution to a Member, the capital accounts of the Members shall be adjusted to reflect the manner in which the unrealized income, gain, loss or deduction inherent in such property (that has not previously been reflected in the Members' capital accounts) would be allocated among the Members if there had been a taxable disposition of such property at its fair market value on the date of distribution. The capital accounts of the Members receiving a distribution in-kind shall then be reduced by the fair market value of the property distribution.

(e) Nothing in this ARTICLE XI shall be construed to extend the time period prescribed under Section 11.2(c) above and Reg. § 1.704-l(b)(2)(ii)(b) for making liquidating distributions of the Company's assets. If the liquidator deems it impracticable to cause the Company to make distributions of the liquidating proceeds to the Members within the time period described under Reg. § 1.704-l(b)(2)(ii)(b), the liquidator may make any arrangement that is considered for federal income tax purposes to effectuate liquidating distributions of all of the Company's assets to the Members within the time period prescribed in such regulation and that will permit the sale of the non-cash assets considered so distributed in a manner that gives effect, to the extent possible, to the intent of the preceding provisions of this ARTICLE XI.

11.3 ***Deficit Capital Accounts***. Notwithstanding anything to the contrary contained in this Agreement, and notwithstanding any custom or rule of law to the contrary, upon dissolution of the Company, the deficit, if any, in the capital account of any Member, including any deficit that results from or is attributable to deductions and losses of the Company (including non-cash items such as depreciation) or distributions of assets pursuant to this Agreement to all Members, shall not be an asset of the Company and such Members shall not be obligated to contribute such amount to the Company to bring the balance of such Member's capital account to zero.

11.4 ***Certificate of Cancellation***. On the completion of the winding up of the Company following its dissolution, the Board of Directors shall cancel any filings made pursuant to Section 1.5 and the Board of Directors (or such other person or persons as the Act may require or permit) shall file a Certificate of Cancellation with the Office of the Secretary of State of the State of Delaware. The Company shall terminate when the Certificate shall have been canceled in the manner required by the Act.

ARTICLE XII.
TRANSFER RESTRICTIONS

12.1 ***Limitations on Transfers***.

(a) No Member shall be permitted to Transfer any Units held by such Member except for Transfers made in accordance with this Section 12.1.

(b) Notwithstanding any other provisions of this Agreement, or the compliance with any of the terms hereof, no Transfer of Units shall be effective, and any such Transfer of Units shall be deemed null and void, if, at the time of such Transfer, the Company has more than 450 "holders of record" (as understood for purposes of Section 12(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of Units and/or Warrants.

(c) Subject to Section 12.1(e), the limitations set forth in Section 12.1(b) shall not prohibit: (i) a Transfer of Units by a Member to another Person that, immediately prior to the Transfer, is a holder of record of Units and/or Warrants, (ii) a Transfer of Units by a Member to the Company, (iii) a Transfer of Units by the Company to a Person that, immediately prior to the Transfer, is a holder of record of Units and/or Warrants, or (iv) a Transfer of all Units owned by the proposed transferor to a single Person who is treated as a single record holder of Units under the Exchange Act. Any attempted Transfer that is prohibited by Section 12.1(b) and not approved by the Company or otherwise prohibited by this Section 12.1 and not approved by the Company shall be null and void and shall not be effective to Transfer any Units. The proposed transferee shall not be entitled to any rights of Members of the Company, including, but not limited to, the rights to vote or to receive dividends and liquidating distributions, with respect to the Units that were the subject of such attempted Transfer.

(d) By the fifth (5th) business day after the Company has 350 or more holders of record of Warrants and/or Common Units, the Company shall issue a press release stating the number of holders of record of Warrants and Common Units (a "Notice Date Press Release"). A Transfer of Units that is completed or attempted after the Company issues a Notice Date Press Release shall be null and void and not effective unless (i) the holder seeking to make such Transfer delivers to the Company notice of its intent to Transfer, (ii) such Transfer is approved in advance by the Company and (iii) such Transfer otherwise complies with the terms of this Agreement.

(e) Notwithstanding anything to the contrary in this Agreement or this Section 12.1, no sale, disposition or other transfer of Units otherwise permitted by this Agreement shall be effective without the prior written consent of the Company if, in the Company's sole discretion, such disposition could cause the Company to be treated as a "publicly traded partnership" within the meaning of section 7704 of the Code.

(f) The restrictions contained in this Section 12.1 are for the purpose of ensuring that the Company is not required to become a registrant under the Exchange Act due to the number of Members or becoming a "publicly traded partnership" within the meaning of section 7704 of the Code. The Company may institute legal proceedings to force rescission of a Transfer prohibited by this Section 12.1 and to seek any other remedy available to it at law, in equity or otherwise, including an injunction prohibiting any such Transfer.

(g) No Transfer of any Units shall become effective (i) unless prior written notice thereof has been delivered to the Company, (ii) unless such Transfer complies with this Section 12.1, (iii) until the Transferee (unless already party to this Agreement) executes and delivers to the Company a Joinder Agreement in the form attached hereto as Exhibit B and (iv) upon request by the Company, the delivery of an opinion of counsel, in form and substance reasonably satisfactory to the Board of Directors, with respect to the compliance of the Transfer under Applicable Law and any other matters reasonably requested by the Company. Upon such Transfer and such execution and delivery, the Transferee shall be bound by, and entitled to the benefits of, this Agreement with respect to the Transferred Units in the same manner as the Member effecting such Transfer.

12.2 ***Drag-Along Rights.***

(a) At any time, if Avenue desires to effect a Drag-Along Sale, Avenue at its option may require all Members to sell such number of their respective Units on a pro-rata basis as Avenue desires such Members to sell to any Person that is not affiliated with Avenue in such Drag Along Sale for the consideration determined in accordance with Section 12.2(d) and otherwise on the same terms and conditions as apply to those Units to be sold by Avenue. A "Drag-Along Sale" shall mean the occurrence of any of the following: (i) any "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act) other than current Members of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than one-half of the then outstanding voting securities of the Company; (ii) there occurs a merger, consolidation or combination of the Company with any other entity, other than a merger, consolidation or combination which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least a majority of the combined voting power of the voting securities of the Company, or such surviving entity or its parent outstanding immediately after such merger, consolidation or combination; (iii) any Person or Persons, other than Members of the Company on the Effective Date, has or have the right to elect a majority in number of the persons then serving on the Board of Directors; or (iv) all or substantially all of the assets of the Company are sold to an unaffiliated third party or parties in one transaction or series of related transactions followed by the dissolution and winding up of the Company.

(b) Written notice of the Drag-Along Sale (the "Drag-Along Sale Notice") shall be provided by Avenue to all holders of Units. Such Drag-Along Sale Notice shall disclose in reasonable detail the number and class of Units to be subject to the Drag-Along Sale (the "Drag-Along Securities"), an estimate of the proposed price, the other proposed terms and conditions of the proposed Drag-Along Sale (including copies of the definitive agreements relating thereto, if available) and the identity of the prospective purchaser.

(c) With respect to any Drag-Along Sale, each Member agrees that it shall use its reasonable best efforts to effect the Drag-Along Sale as expeditiously as practicable, including delivering all documents necessary or reasonably requested in connection with such Drag-Along Sale, voting in support of such transaction and entering into any instrument, undertaking or obligation necessary or reasonably requested in connection with such Drag-Along Sale (as specified in the Drag-Along Sale Notice). Subject to the terms and conditions of this Section 12.2(c) and without limiting the generality of the foregoing, the Company and each Member shall take or cause to be taken all actions, and do, or cause to be done, on behalf and in respect of the Company any and all actions that may be reasonably requested consistent with this Section 12.2(c) in connection with any Drag-Along Sale. In addition, each holder of Drag-Along Securities, in the case of a Drag-Along Sale, shall (i) pay its pro rata share (based on the aggregate proceeds) of the reasonable expenses (if any) incurred by the Company in connection with such Drag-Along Sale; and (ii) join on a pro rata basis (based on the aggregate proceeds), severally and not jointly, in any indemnification or other obligations that are specified in the Drag-Along Sale Notice, other than any such obligations which relate specifically to a particular holder such as indemnification with respect to representations and warranties given by a holder regarding such holder's title to and ownership of Units and other fundamental customary representations and warranties; provided that no holder shall be obligated under this clause in connection with such Transfer to agree to indemnify or hold harmless the Transferee or Transferees with respect to an amount in excess of the proceeds paid in respect of such holder's Units in connection with such Drag-Along Sale.

(d) In the event of a Drag-Along Sale, each Member shall be required to Transfer such Units held by such Member as provided in the Drag-Along Sale Notice to the extent such Transfer is required under Section 12.2 hereof. In the event of a Drag-Along Sale of all of the Units or a repurchase of Units by the Company pursuant to Section 12.2(e), the amount each Member will be entitled to receive in respect of any Units sold in such Drag-Along Sale will be the amount that would have been distributable pursuant to Section 4.2, assuming all proceeds of such Drag-Along Sale were received by the Company and distributed. Each Member will be entitled to receive the same form of consideration (and be subject to the same indemnity and escrow provisions) as a result of such Drag-Along Sale.

(e) Notwithstanding anything to the contrary set forth in this Section 12.2, the Company or its designee shall have the option on a Drag-Along Sale to purchase, and each Member shall be required to sell, any Units held by such Member to the Company.

12.3 ***Holdback Agreement***. If requested by the lead managing underwriter, each Member agrees not to effect any public sale or distribution of any Securities of the Company (or any other entity or entities created though any Solvent Reorganization or designated by the Board of Directors) being registered or of any securities convertible into or exchangeable or exercisable for such Company Securities, including a sale pursuant to Rule 144 under the Securities Act, during a period of not more than one hundred and eighty (180) days after, an IPO commencing on the effective date of the registration statement (the "Lock-Up Period"), unless expressly authorized to do so by the lead managing underwriter; provided, however, that if any other holder of securities of the Company shall be subject to a shorter period or receives more advantageous terms relating to the Lock-Up Period, then the Lock-Up Period shall be such shorter period and also on such more advantageous terms and notwithstanding the foregoing, the Members shall not be required to sign lock-up agreements unless all of the Company's directors, officers and securityholders owning one percent (1%) or more of the Company's fully diluted voting stock have signed lock-up agreements with the managing underwriters. Any such lock-up agreements signed by the Members shall contain reasonable and customary exceptions, including, without limitation, the right of a Holder to make transfers to certain Affiliates and transfers related to securities owned by Members as a result of open market purchases made following the closing of the applicable offering. The Company shall be authorized to impose stop-transfer instructions with respect to the securities subject to the foregoing restrictions until the end of the relevant period.

ARTICLE XIII.
GENERAL PROVISIONS

13.1 ***Offset***. Whenever the Company is to pay any sum to any Member, any amounts then due and payable from such Member to the Company may be deducted from that sum before payment.

13.2 ***Notices***. Except as expressly set forth to the contrary in this Agreement, all notices, requests, or consents provided for or permitted to be sent under this Agreement must be in writing and must be sent by registered mail, addressed to the recipient, postage paid, or by delivering that writing to the recipient in person, by internationally recognized express courier, or by facsimile transmission; and a notice, request, or consent sent under this Agreement is

effective on receipt by the person to receive it. A notice, request or consent shall be deemed received when delivered if personally delivered, after a "good transmission" receipt is received, if sent via facsimile, or otherwise on the date of receipt by the recipient thereof. All notices, requests, and consents to be sent to a Member must be sent to or made at the address or facsimile number ascribed to that Member on the books of the Company or such other address or facsimile number as that Member may specify by notice to the Company and the other Members. Any notice, request, or consent to the Company must be sent to the Company at its principal office. Whenever any notice is required to be sent by law, the Certificate or this Agreement, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

13.3 ***Entire Agreement***. This Agreement constitutes the entire agreement among the parties on the date hereof with respect to the subject matter hereof and supersedes all prior understandings, contracts or agreements among the parties with respect to the subject matter hereof, whether oral or written.

13.4 ***Effect of Waiver or Consent***. The failure of a Member to insist on the strict performance of any covenant or duty required by the Agreement, or to pursue any remedy under the Agreement, shall not constitute a waiver of the breach or the remedy.

13.5 ***Amendment***. This Agreement may be amended or modified, or any provision hereof may be waived, provided that such amendment, modification or waiver is set forth in a writing executed by (i) the Company and (ii) the Required Interest, except an amendment that materially and adversely affects any Member without similarly affecting the rights and obligations of all holders of the same class of Units shall be effective only if such Member executes such amendment. No course of dealing between or among any Persons having any interest in this Agreement will be deemed effective to modify, amend or discharge any part of this Agreement or any rights or obligations of any Person under or by reason of this Agreement.

13.6 ***Binding Act***. Subject to the restrictions on transfer set forth in this Agreement, this Agreement is binding on and inures to the benefit of the Members and their respective heirs, legal representatives, successors, and assigns.

13.7 ***Governing Law***. All issues and questions concerning the application, construction, validity, interpretation and enforcement of this Agreement shall be governed by and construed in accordance with the laws of the State of Delaware and the Act, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

13.8 ***Consent to Exclusive Jurisdiction***. Each of the parties hereto agrees that any legal action or proceeding with respect to this Agreement or any agreement, certificate or other instrument entered into in contemplation of the transactions contemplated by this Agreement, or any matters arising out of or in connection with this Agreement or such other agreement, certificate or instrument, and any action for the enforcement of any judgment in respect thereof, shall be brought exclusively in the Delaware Court of Chancery of New Castle County, Delaware or the courts of the United States of America for the District of Delaware, unless the

parties to any such action or dispute mutually agree to waive this provision. By execution and delivery of this Agreement, each of the parties hereto irrevocably consents to service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, or by recognized express carrier or delivery service, to the applicable party at his, her or its address referred to herein. Each of the parties hereto irrevocably waives any objection which he, she or it may now or hereafter have to the laying of venue of any of the aforementioned actions or proceedings arising out of or in connection with this Agreement, or any related agreement, certificate or instrument referred to above, brought in the courts referred to above and hereby further irrevocably waives and agrees, to the fullest extent permitted by applicable law, not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in any inconvenient forum. Nothing herein shall affect the right of any party to serve process in any other manner permitted by law.

13.9 ***Severability***. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein. The Members shall negotiate in good faith to replace any provision so held to be invalid or unenforceable so as to implement most effectively the transactions contemplated by such provision in accordance with the original intent of the Members signatory hereto.

13.10 ***Further Assurances***. In connection with this Agreement and the transactions contemplated hereby, each Member shall execute and deliver any additional documents and instruments and perform any additional acts that may be necessary or appropriate to effectuate and perform the provisions of this Agreement and those transactions.

13.11 ***No Third Party Benefit***. The provisions hereof are solely for the benefit of the Company and its Members, Directors and Officers and are not intended to, and shall not be construed to, confer a right or benefit on any creditor of the Company or any other Person.

13.12 ***Counterparts***. This Agreement may be executed in any number of counterparts with the same effect as if all signing parties had signed the same document. All counterparts shall be construed together and constitute the same instrument.

13.13 ***Construction***. Whenever the context requires, the gender of all words used in this Agreement includes the masculine, feminine and neuter. All references to Articles and Sections refer to Articles and Sections of this Agreement, and all references to Exhibits are to Exhibits attached hereto, each of which is made a part hereof for all purposes.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first set forth above.

AVENUE INTERNATIONAL MASTER, L.P.
By: Avenue International Master GenPar, Ltd., its General Partner

Name:
Title:

AVENUE INVESTMENTS, L.P.
By: Avenue Partners, LLC, its General Partner

Name:
Title:

AVENUE SPECIAL SITUATIONS FUND V, L.P.
By: Avenue Capital Partners V, LLC, its General Partner
By: GL Partners V, LLC, its Managing Member

Name:
Title:

AVENUE SPECIAL SITUATIONS FUND IV, L.P.
By: Avenue Capital Partners IV, LLC, General Partner
By: GL Partners IV, LLC, its Managing Member

Name:
Title:

AVENUE-CDP GLOBAL OPPORTUNITIES FUND, L.P.
By: Avenue Global Opportunities Fund GenPar, LLC, its General Partner

Name:
Title:

Exhibit 3.4

CERTIFICATE OF INCORPORATION
OF MAGNACHIP SEMICONDUCTOR CORPORATION
a Delaware Corporation

ARTICLE FIRST

The name of the Corporation is MagnaChip Semiconductor Corporation (the "Corporation").

ARTICLE SECOND

The address of the registered office of the Corporation in the State of Delaware is 615 S. DuPont Highway, in the City of Dover, County of Kent. The name of the registered agent at that address is National Corporate Research, Ltd.

ARTICLE THIRD

The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of Delaware ("DGCL").

ARTICLE FOURTH

(a) The total number of shares of all classes of stock which the Corporation shall have authority to issue is shares consisting of:

(i) shares of Common Stock, with a par value of $0.01 per share (the "Common Stock"); and

(ii) shares of Preferred Stock, with a par value of $0.01 per share (the "Preferred Stock").

(b) The Board of Directors is authorized, subject to any limitations prescribed by law, to provide for the issuance of shares of Preferred Stock in one or more series and, by filing a certificate of designations ("Preferred Stock Designations") pursuant to the DGCL, to establish from time to time the number of shares to be included in each such series, and to fix the voting rights, if any, designation, powers, preferences and rights of each such series and any qualifications, limitations or restrictions thereon. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the outstanding shares of Common Stock, without a vote of the holders of the Preferred Stock, or of any series thereof, unless a vote of any such holders is required pursuant to the Certificate of Incorporation or Preferred Stock Designations.

(c) The holders of shares of Common Stock shall be entitled to one vote for each such share on each matter properly submitted to the stockholders on which the holders of shares of Common Stock are entitled to vote. No stockholder of the Corporation shall be entitled to exercise any right of cumulative voting. Except as may otherwise be provided in this Certificate of Incorporation, in one or more Preferred Stock Designations (excluding the right to elect, in the aggregate, a majority or more of directors of the Corporation) or by applicable law, at any annual or special meeting of the stockholders the Common Stock shall have the exclusive right to vote for the election of directors and on all other matters properly submitted to a vote of the stockholders. Notwithstanding the foregoing, except as otherwise required by law or this Certificate of Incorporation (including a Preferred Stock Designation), holders of Common Stock shall not be entitled to vote on any amendment to this Certificate of Incorporation (including any amendment to any Preferred Stock Designation) that relates solely to the terms of one or more outstanding series of Preferred

Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to this Certificate of Incorporation (including any Preferred Stock Designation).

(d) Subject to the rights of the holders of Preferred Stock, the holders of shares of Common Stock shall be entitled to receive such dividends and other distributions (payable in cash, property or capital stock of the Corporation) when, as and if declared thereon by the Board of Directors from time to time out of any assets or funds of the Corporation legally available therefor and shall share equally on a per share basis in such dividends and distributions.

(e) In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, after payment or provision for payment of the debts and other liabilities of the Corporation, and subject to the rights of the holders of Preferred Stock in respect thereof, the holders of shares of Common Stock shall be entitled to receive all the remaining assets of the Corporation available for distribution to its stockholders, ratably in proportion to the number of shares of Common Stock held by them.

(f) Upon the filing of the Certificate of Conversion of MagnaChip Semiconductor LLC to the Corporation and this Certificate of Incorporation (the "Effective Time"), (i) each Common Unit of MagnaChip Semiconductor LLC (the "Common Units") will be converted into issued and outstanding, fully paid and nonassessable shares of Common Stock without any action required on the part of the former holders of such Common Units.

ARTICLE FIFTH

The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

(a) The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to the powers and authority expressly conferred upon them by statute or by this Certificate of Incorporation or the Bylaws of the Corporation, the Board of Directors is hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of the DGCL, this Certificate of Incorporation and any Bylaws adopted by the stockholders; provided, however, that no Bylaws hereafter adopted by the stockholders shall invalidate any prior act of the Board of Directors that would have been valid if such Bylaws had not been adopted.

(b) The number of directors shall initially be seven (7) and, thereafter, shall be fixed from time to time exclusively by the Board of Directors.

(c) The directors of the Corporation need not be elected by written ballot unless the Bylaws so provide.

ARTICLE SIXTH

(a) On or after the closing date of the first sale of the Corporation's Common Stock pursuant to a firmly underwritten registered public offering (the "IPO"), any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders. At all times prior to such IPO, any action which may be taken at any annual or special meeting of stockholders may be taken without a meeting and without prior notice, if a consent in writing, setting forth the actions so

taken, is signed by the holders of outstanding shares having not less than the minimum number of votes which would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. All such consents shall be filed with the Secretary of the Corporation and shall be maintained in the corporate records. Prompt notice of the taking of a corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

ARTICLE SEVENTH

In furtherance and not in limitation of the powers conferred upon it by law, the Board of Directors is expressly empowered to adopt, amend, alter or repeal the Bylaws of the Corporation. The stockholders shall also have power to adopt, amend, alter or repeal the Bylaws of the Corporation. Any adoption, amendment, alteration or repeal of the Bylaws of the Corporation by the stockholders shall require, in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by this Certificate of Incorporation, the affirmative vote of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

ARTICLE EIGHTH

No person who is or was a director of the Corporation shall be personally liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted by the DGCL as the same exists or hereafter may be amended.

If the DGCL is hereafter amended to authorize the further elimination or limitation of the liability of a director, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended.

Any repeal or amendment of this Article EIGHTH by the stockholders of the Corporation or by changes in law, or the adoption of any other provision of this Certificate of Incorporation inconsistent with this Article EIGHTH will, unless otherwise required by law, be prospective only (except to the extent such amendment or change in law permits the Corporation to further limit or eliminate the liability of directors) and shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or amendment or adoption of such inconsistent provision with respect to acts or omissions occurring prior to such repeal or amendment or adoption of such inconsistent provision.

ARTICLE NINTH

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation (including any Preferred Stock Designation) in any manner now or hereafter prescribed by this Certificate of Incorporation and the DGCL; and all rights, preferences and privileges herein conferred upon stockholders, directors or any other person by and pursuant to this Certificate of Incorporation in its present form or as hereafter amended are granted subject to the right reserved in this Article; provided, however, that, notwithstanding any other provision of this Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, and in addition to any vote of the holders of any class or series of the stock of this Corporation required by law or this Certificate of Incorporation (including any Preferred Stock Designation), the affirmative vote of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend, alter, change or repeal or adopt any provision as part of this Certificate of Incorporation inconsistent

with the purpose and intent of, this Article NINTH, Article FIFTH, Article SIXTH, Article SEVENTH, Article EIGHTH or Article TENTH.

ARTICLE TENTH

Non-employee directors of the Corporation and each non-employee stockholder holding, together with its Affiliates, more than five percent (5%) of the voting power of all of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, and their Affiliates (collectively, the "Non-Employee Directors and Stockholders"): (a) may have participated, directly or indirectly, and may continue to participate (including, without limitation, in the capacity of investor, manager, officer and employee) in businesses that are similar to or compete with the business (or proposed business) of the Corporation; (b) may have interests in, participate with, aid and maintain seats on the board of directors of other such entities; and (c) may develop opportunities for such entities (collectively, the "Position"). In such Position, the Non-Employee Directors and Stockholders may encounter business opportunities that the Corporation or its stockholders may desire to pursue. To the fullest extent permitted by Section 122(17) of the DGCL, the Non-Employee Directors and Stockholders and any of their respective officers, directors, agents, stockholders, members, partners, employees, affiliates or subsidiaries shall have no duty to refrain from engaging directly or indirectly in a corporate opportunity in the same or similar activities or line of business as the Corporation (and all corporations, partnerships, joint ventures, associations and other entities in which the Corporation beneficially owns directly or indirectly 50 percent or more of the outstanding voting stock, voting power, partnership interests or similar voting interests (collectively, "Related Entities")) engages in or proposes to engage in, and the Corporation, on behalf of itself and its Related Entities, renounces any interest or expectancy of the Corporation and its Related Entities in, or in being offered an opportunity to participate in, business opportunities, that are from time to time presented to any of such persons or entities, even if the opportunity is one that the Corporation or its Related Entities might reasonably be deemed to have pursued or had the ability or desire to pursue if granted the opportunity to do so. To the fullest extent permitted by Section 122(17) of the DGCL, the Non-Employee Stockholders and Directors and any of their respective officers, directors, agents, stockholders, members, partners, employees, affiliates or subsidiaries shall also have no obligation to the Corporation, the stockholders of the Corporation or to any other Person to present any such business opportunity to the Corporation before presenting and/or developing such opportunity with any other Persons, other than such opportunities specifically presented to any such Non-Employee Director or Stockholder for the Corporation's benefit in his or her capacity as a Non-Employee Director or Stockholder of the Corporation. In any case where an opportunity is not specifically presented to a stockholder or director for the Corporation's benefit, to the extent a court might hold that the pursuit of the opportunity for the benefit of a person other than the Corporation is a breach of a duty to the Corporation, the stockholders of the Corporation and the Corporation hereby waive any and all claims and causes of action that such stockholders and/or the Corporation believes that it may have for such activities. Any person purchasing or otherwise acquiring any interest in any shares of stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article TENTH. Neither the alteration, amendment or repeal of this Article TENTH nor the adoption of any provision of this Certificate of Incorporation inconsistent with this Article TENTH shall eliminate or reduce the effect of this Article TENTH in respect of any business opportunity first identified or any other matter occurring, or any cause of action, suit or claim that, but for this Article TENTH, would accrue or arise, prior to such alteration, amendment, repeal or adoption. For purposes of this Article TENTH, "Affiliate" means any person who directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified. For purposes of the definition of Affiliate, "control" means the possession, directly or indirectly, of the power to direct, or to cause the direction of, the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise.

ARTICLE ELEVENTH

The incorporator of the Corporation is John McFarland, whose mailing address is c/o MagnaChip Semiconductor, Inc., 20400 Stevens Creek Boulevard, Suite 370, Cupertino, CA 95014.

The undersigned sole incorporator hereby acknowledges that the foregoing Certificate of Incorporation is the act and deed of such incorporator and that the facts stated therein are true.

John McFarland, Sole Incorporator

BYLAWS OF
MAGNACHIP SEMICONDUCTOR CORPORATION
(the "Corporation")

ARTICLE I
STOCKHOLDERS

1.1 Place of Meetings. All meetings of stockholders shall be held at such place (if any) within or without the State of Delaware as may be designated from time to time by the Board of Directors, the Chairman of the Board or the Chief Executive Officer.

1.2 Annual Meeting. The annual meeting of stockholders for the election of directors and for the transaction of such other business as may properly be brought before the meeting shall be held on a date to be fixed by the Board of Directors at the time and place to be fixed by the Board of Directors and stated in the notice of the meeting. In lieu of holding an annual meeting of stockholders at a designated place, the Board of Directors may, in its sole discretion, determine that any annual meeting of stockholders may be held solely by means of remote communication pursuant to Section 1.13.

1.3 Special Meetings. Except as otherwise required by applicable law or as provided in the Corporation's Certificate of Incorporation, special meetings of stockholders may be called at any time by the Board of Directors, the Chairman of the Board, the Chief Executive Officer or by holders of at least 25% of the voting power of all then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, for any purpose or purposes prescribed in the notice of the meeting and shall be held at such place (if any), on such date and at such time as the Board of Directors may fix. In lieu of holding a special meeting of stockholders at a designated place, the Board of Directors may, in its sole discretion, determine that any special meeting of stockholders may be held solely by means of remote communication. Business transacted at any special meeting of stockholders shall be confined to the purpose or purposes stated in the notice of meeting.

1.4 Notice of Meetings. Written notice of each meeting of stockholders, whether annual or special, shall be given not less than 10 nor more than 60 days before the date on which the meeting is to be held, to each stockholder entitled to vote at such meeting, except as otherwise provided herein or as required by law (meaning here and hereafter, as required from time to time by the Delaware General Corporation Law ("DGCL") or the Certificate of Incorporation). The notice of any meeting shall state the place, if any, date and hour of the meeting, and the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting and the record date for determining the stockholders entitled to vote at the meeting, if such date is different from the record date for determining stockholders entitled to notice of the meeting, shall be given in the manner permitted by Section 5.9 to each stockholder entitled to vote thereat as of the record date for determining the stockholders entitled to notice of the meeting. The notice of a special meeting shall state, in addition, the purpose or purposes for which the meeting is called, and the business transacted at such meeting shall be limited to the matters so stated in the notice of meeting (or any supplement thereto). Any meeting of stockholders as to which notice has been given may be postponed, and any special meeting of stockholders as to which notice has been given may be cancelled, by the Board of Directors upon public announcement (as defined in Section 1.10(a)) given before the date previously scheduled for such meeting.

1.5 Voting List. The Secretary shall prepare, or shall cause the officer or agent who has charge of the stock ledger of the Corporation to prepare, at least 10 days before each meeting of stockholders (provided, however, if the record date for determining the stockholders entitled to vote is less than 10 days before the meeting date, the list shall reflect the stockholders entitled to vote as of the

tenth day before the meeting date), a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order for each class of stock and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Nothing contained in this Section 1.5 shall require the Corporation to include electronic mail addresses or other electronic contact information on such list. Such list shall be open to the examination of any such stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days prior to the meeting, in the manner provided by law. The list shall also be produced and kept at the time and place of the meeting during the whole time of the meeting, and may be inspected by any stockholder who is present. If the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to stockholders of the Corporation. If a meeting of stockholders is to be held solely by means of remote communication as permitted by Section 1.13, then such list shall be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of meeting. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the list required by this Section 1.5 or to vote in person or by proxy at any meeting of stockholders and the number of shares held by each of them.

1.6 Quorum. Except as otherwise provided by applicable law, the Certificate of Incorporation or these Bylaws, the holders of a majority of the voting power of all outstanding shares of capital stock of the Corporation entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business. Where a separate class vote by a class or classes or series is required, a majority of the voting power of all outstanding shares of such class or classes or series present in person or represented by proxy shall constitute a quorum entitled to take action with respect to that vote on that matter. If a quorum shall not be present or represented by proxy at any meeting of the stockholders, the chairman of the meeting may adjourn the meeting from time to time in the manner provided in Section 1.7 until a quorum shall attend. The stockholders present at a duly convened meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. Shares of its own stock belonging to the Corporation or to another corporation, if a majority of the voting power of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the Corporation, shall neither be entitled to vote nor be counted for quorum purposes; provided, however, that the foregoing shall not limit the right of the Corporation or any such other corporation to vote shares held by it in a fiduciary capacity.

1.7 Adjournments. Any meeting of stockholders may be adjourned to any other time and to any other place at which a meeting of stockholders may be held under these Bylaws by the chairman of the meeting or, in the absence of such person, by any officer entitled to preside at or to act as secretary of such meeting, or by the holders of a majority of the shares of stock present or represented at the meeting and entitled to vote, although less than a quorum. When a meeting is adjourned to another place, date or time, written notice need not be given of the adjourned meeting if the date, time, and place, if any, thereof, and the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting, are announced at the meeting at which the adjournment is taken; provided, however, that if the date of any adjourned meeting is more than 30 days after the date for which the meeting was originally noticed, or if a new record date is fixed for the adjourned meeting, written notice of the place, if any, date, and time of the adjourned meeting and the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting, shall be given in conformity herewith. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting.

1.8 Voting and Proxies. Except as may otherwise be provided in the Certificate of Incorporation, in one or more Preferred Stock Designations (excluding the right to elect, in the aggregate,

a majority or more of directors of the Corporation) or by applicable law, each stockholder entitled to vote at any meeting of stockholders shall be entitled to one vote for each share of stock held of record by such stockholder which has voting power upon the matter in question. Each stockholder of record entitled to vote at a meeting of stockholders may authorize another person or persons to vote or act for such stockholder by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. Every proxy must be authorized in a manner permitted by Section 212 of the DGCL or any successor provision. A proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy that is not irrevocable by attending the meeting and voting in person or by delivering to the Secretary of the Corporation a revocation of the proxy or a new later dated proxy. Voting at meetings of stockholders need not be by written ballot. At all meetings of stockholders for the election of Directors at which a quorum is present, a plurality of the votes cast shall be sufficient to elect. All other elections and questions presented to the stockholders at a meeting at which a quorum is present shall, unless otherwise provided by the Certificate of Incorporation, these Bylaws, the rules or regulations of any stock exchange applicable to the corporation, or applicable law or pursuant to any regulation applicable to the corporation or its securities, be decided by the affirmative vote of the holders of a majority in voting power of the shares of stock of the Corporation which are present in person or represented by proxy at the meeting and entitled to vote thereon. Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission authorizing another person or persons to act as proxy for a stockholder may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used; provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

1.9 Action at Meeting.

(a) At any meeting of stockholders for the election of one or more directors at which a quorum is present, the election shall be determined by a plurality of the votes cast by the stockholders entitled to vote at the election.

(b) All other matters shall be determined by a majority of the votes cast by the stockholders present in person or represented by proxy and entitled to vote on the matter (or if there are two or more classes of stock entitled to vote as separate classes, then in the case of each such class, a majority of the votes cast by the stockholders of each such class present in person or represented by proxy and entitled to vote on the matter shall decide such matter), provided that a quorum is present, except when a different vote is required by express provision of law, the Certificate of Incorporation or these Bylaws.

(c) The Board of Directors may, and to the extent required by law, shall, in advance of any meeting of stockholders, appoint one or more inspectors of election, who may be employees of the Corporation or otherwise serve the Corporation in other capacities, to act at the meeting or any adjournment thereof and make a written report thereof. The Board of Directors may designate one or more persons as an alternate inspector to replace any inspector who fails to act. If no inspector or alternate is appointed by the Board of Directors, the chairman of the meeting may, and to the extent required by law, shall, appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath to faithfully execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall ascertain and report the number of outstanding shares and the voting power of each; determine the number of shares present in person or represented by proxy at the meeting and the validity of proxies and ballots; count all votes and ballots and report the results; determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors; and certify their

determination of the number of shares represented at the meeting and their count of all votes and ballots. No person who is a candidate for an office at an election may serve as an inspector at such election. Each report of an inspector shall be in writing and signed by the inspector or by a majority of them if there is more than one inspector acting at such meeting. If there is more than one inspector, the report of a majority shall be the report of the inspectors.

1.10 Notice of Stockholder Business. The provisions set forth in this Section 1.10 shall only be effective upon the closing of the first sale of the Corporation's Common Stock pursuant to a firmly underwritten registered public offering (the "IPO").

(a) At an annual or special meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) properly brought before the meeting by or at the direction of the Board of Directors, or (iii) properly brought before the meeting by a stockholder of record. For business to be properly brought before an annual meeting by a stockholder, it must be a proper matter for stockholder action under the DGCL, and the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder proposal to be presented at an annual meeting shall be received at the Corporation's principal executive offices not earlier than the close of business on the 120th day, nor later than the close of business on the 90th day, prior to the first anniversary of the date of the preceding year's annual meeting as first specified in the Corporation's notice of meeting (without regard to any postponements or adjournments of such meeting after such notice was first sent), except that if no annual meeting was held in the previous year or the date of the annual meeting is more than 30 days earlier or later than such anniversary date, notice by the stockholders to be timely must be received not later than the close of business on the later of the 90th day prior to the annual meeting or the 10th day following the date on which public announcement of the date of such meeting is first made. Notwithstanding the previous sentence, for purposes of determining whether a stockholder's notice shall have been received in a timely manner for the annual meeting of stockholders in 2011, to be timely, a stockholder's notice must have been received not later than the close of business on ___, 20___nor earlier than the opening of business on ___, 20_. "Public announcement" for purposes hereof shall have the meaning set forth in Section 2.15(c) of these Bylaws. In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. For business to be properly brought before a special meeting by a stockholder, the business must be limited to the purpose or purposes set forth in a request under Section 1.3.

(b) A stockholder's notice to the Secretary of the Corporation shall set forth as to each matter the stockholder proposes to bring before the meeting (i) a brief description of the business desired to be brought before the meeting and the text of the proposal or business, including the text of any resolutions proposed for consideration and, in the event that such business includes a proposal to amend the bylaws of the Corporation, the language of the proposed amendment, (ii) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business and the names and addresses of the beneficial owners, if any, on whose behalf the business is being brought, (iii) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at the meeting on the date of such notice and intends to appear in person or by proxy at the meeting to propose the business specified in the notice, (iv) any material interest of the stockholder and such other beneficial owner in such business, and (v) the following information regarding the ownership interests of the stockholder or such other beneficial owner, which shall be supplemented in writing by the stockholder not later than 10 days after the record date for the meeting to disclose such interests as of the record date: (A) the class and number of shares of the Corporation that are owned beneficially and of record by the stockholder and such other beneficial owner; (B) any option, warrant, convertible security, stock

appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the Corporation or with a value derived in whole or in part from the value of any class or series of shares of the Corporation, whether or not such instrument or right shall be subject to settlement in the underlying class or series of capital stock of the Corporation or otherwise (a "Derivative Instrument") directly or indirectly owned beneficially by such stockholder and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the Corporation; (C) any proxy, contract, arrangement, understanding, or relationship pursuant to which such stockholder has a right to vote any shares of any security of the Corporation; (D) any short interest in any security of the Corporation (for purposes of this Section 1.10 and Section 2.15, a person shall be deemed to have a short interest in a security if such person directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any decrease in the value of the subject security); (E) any rights to dividends on the shares of the Corporation owned beneficially by such stockholder that are separated or separable from the underlying shares of the Corporation; (F) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such stockholder is a general partner or, directly or indirectly, beneficially owns an interest in a general partner; and (G) any performance-related fees (other than an asset-based fee) to which such stockholder is entitled based on any increase or decrease in the value of shares of the Corporation or Derivative Instruments, if any, as of the date of such notice, including, without limitation, any such interests held by members of such stockholder's immediate family sharing the same household.

(c) Notwithstanding the foregoing provisions of this Section 1.10, a stockholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934 (the "Exchange Act") and the rules and regulations thereunder with respect to the matters set forth in this Section 1.10.

(d) Notwithstanding any provisions to the contrary, the notice requirements set forth in subsections (a) and (b) above shall be deemed satisfied by a stockholder if the stockholder has notified the Corporation of his or her intention to present a proposal at an annual meeting in compliance with applicable rules and regulations promulgated under the Exchange Act and such stockholder's proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting. No business shall be conducted at the annual meeting of stockholders except business brought before the annual meeting in accordance with the procedures set forth in this Section 1.10 and Section 1.9, provided, however, that once business has been properly brought before the annual meeting in accordance with such procedures, nothing in this Section 1.10 shall be deemed to preclude discussion by any stockholder of any such business. If the Board of Directors or the chairman of the annual meeting determines that any business or stockholder proposal was not made in accordance with the provisions of this Section 1.10 or that the information provided in a stockholder's notice does not satisfy the information requirements of this Section 1.10, such proposal shall not be presented for action at the annual meeting. Notwithstanding the foregoing provisions of this Section 1.10, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual meeting of stockholders of the Corporation to present the proposed business, such proposed business shall not be transacted, notwithstanding that proxies in respect of such matter may have been received by the Corporation.

1.11 Conduct of Business. At every meeting of the stockholders, the Chairman of the Board, or, in his or her absence, the President, or, in his or her absence, such other person as may be appointed by the Board of Directors, shall act as chairman. The Secretary of the Corporation or a person designated by the chairman of the meeting shall act as secretary of the meeting. Unless otherwise approved by the chairman of the meeting, attendance at the stockholders' meeting is restricted to stockholders of record,

persons authorized in accordance with Section 1.8 of these Bylaws to act by proxy, and officers of the Corporation.

The chairman of the meeting shall call the meeting to order, establish the agenda, and conduct the business of the meeting in accordance therewith or, at the chairman's discretion, it may be conducted otherwise in accordance with the wishes of the stockholders in attendance. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting.

The chairman shall also conduct the meeting in an orderly manner, rule on the precedence of, and procedure on, motions and other procedural matters, and exercise discretion with respect to such procedural matters with fairness and good faith toward all those entitled to take part. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure. Without limiting the foregoing, the chairman may (a) restrict attendance at any time to bona fide stockholders of record and their proxies and other persons in attendance at the invitation of the presiding officer or Board of Directors, (b) restrict use of audio or video recording devices at the meeting, and (c) impose reasonable limits on the amount of time taken up at the meeting on discussion in general or on remarks by any one stockholder. Should any person in attendance become unruly or obstruct the meeting proceedings, the chairman shall have the power to have such person removed from the meeting.

1.12 Stockholder Action Without Meeting. Effective upon the closing date of the IPO, any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders. At all times prior to the closing of the IPO, any action which may be taken at any annual or special meeting of stockholders may be taken without a meeting and without prior notice, if a consent in writing, setting forth the actions so taken, is signed by the holders of outstanding shares having not less than the minimum number of votes which would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. All such consents shall be filed with the Secretary of the Corporation and shall be maintained in the corporate records. Prompt notice of the taking of a corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

An electronic transmission consenting to an action to be taken and transmitted by a stockholder, or by a proxy holder or other person authorized to act for a stockholder, shall be deemed to be written, signed and dated for the purpose of this Section 1.11, provided that such electronic transmission sets forth or is delivered with information from which the Corporation can determine (i) that the electronic transmission was transmitted by the stockholder or by a person authorized to act for the stockholder and (ii) the date on which such stockholder or authorized person transmitted such electronic transmission. The date on which such electronic transmission is transmitted shall be deemed to be the date on which such consent was signed. No consent given by electronic transmission shall be deemed to have been delivered until such consent is reproduced in paper form and until such paper form shall be delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business or an officer or agent of the Corporation having custody of the books in which proceedings of meetings of stockholders are recorded.

1.13 Meetings by Remote Communication. If authorized by the Board of Directors, and subject to such guidelines and procedures as the Board of Directors may adopt, stockholders and proxy holders not physically present at a meeting of stockholders may, by means of remote communication, participate in the meeting and be deemed present in person and vote at the meeting, whether such meeting is to be held at a designated place or solely by means of remote communication, provided that (i) the Corporation shall implement reasonable measures to verify that each person deemed present and

permitted to vote at the meeting by means of remote communication is a stockholder or proxy holder, (ii) the Corporation shall implement reasonable measures to provide such stockholders and proxy holders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with such proceedings, and (iii) if any stockholder or proxy holder votes or takes other action at the meeting by means of remote communication, a record of such vote or other action shall be maintained by the Corporation.

ARTICLE II
BOARD OF DIRECTORS

2.1 General Powers. The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors, who may exercise all of the powers of the Corporation except as otherwise provided by law or the Certificate of Incorporation. In the event of a vacancy in the Board of Directors, the remaining directors, except as otherwise provided by law, may exercise the powers of the full Board of Directors until the vacancy is filled.

2.2 Number and Term of Office.

(a) Subject to the rights of the holders of any series of preferred stock to elect directors under specified circumstances, the number of directors shall initially be seven (7) and, thereafter, shall be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board of Directors for adoption).

(b) Effective upon the closing of the IPO, other than those who may be elected by the holders of any series of preferred stock under specified circumstances, the directors shall be divided into three classes, as nearly equal in number as possible and designated Class I, Class II and Class III. The initial division of the Board of Directors into classes shall be made by the Board of Directors. The term of the initial Class I Directors shall terminate at the annual meeting of stockholders to be held in 2011; the term of the initial Class II Directors shall terminate at the annual meeting of stockholders to be held in 2012; and the term of the initial Class III Directors shall terminate at the annual meeting of stockholders to be held in 2013. At each succeeding annual meeting of stockholders beginning in 2014, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. Subject to the rights of the holders of any series of Preferred Stock then outstanding, if the number of directors is changed, any increase or decrease shall be apportioned by the Board of Directors among the classes so as to maintain the number of directors in each class as nearly equal as possible, but in no case will a decrease in the number of directors shorten the term of any incumbent director.

2.3 Vacancies and Newly Created Directorships. Subject to the rights of the holders of any series of Preferred Stock then outstanding and effective only upon the closing of the IPO, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification or other cause (including removal from office by a vote of the stockholders) may be filled only by a majority vote of the directors then in office, even if less than a quorum, or by the sole remaining director (and not by stockholders), and directors so chosen shall hold office for a term expiring at the next annual meeting of stockholders at which the term of office of the class to which they have been elected expires or until such director's successor shall have been duly elected and qualified; subject, however, to such director's earlier death, resignation, retirement, disqualification or removal. No decrease in the number of authorized directors shall shorten the term of any incumbent director.

2.4 Resignation. Any director may resign by delivering notice in writing or by electronic transmission to the President, Chairman of the Board or Secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event.

2.5 Removal. Prior to the closing of the IPO and subject to the rights of the holders of any series of Preferred Stock then outstanding, any directors, or the entire Board of Directors, may be removed from office at any time, with or without cause, by the affirmative vote of the holders of a majority of the voting power of all of the outstanding shares of capital stock entitled to vote generally in the election of directors, voting together as a single class. After the closing of an IPO and subject to the rights of the holders of any series of Preferred Stock then outstanding, for so long as Section 2.2(b) is in effect, any or all of the directors may be removed from office at any time, but only for cause and only by the affirmative vote of holders of a majority of the voting power of all then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

2.6 Regular Meetings. Regular meetings of the Board of Directors may be held without notice at such time and place, either within or without the State of Delaware, as shall be determined from time to time by the Board of Directors; provided that any director who is absent when such a determination is made shall be given notice of the determination. A regular meeting of the Board of Directors may be held without notice immediately after and at the same place as the annual meeting of stockholders.

2.7 Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board, the Chief Executive Officer and shall be called by the Chairman of the Board, Chief Executive Officer or the Secretary upon the written request of at least a two directors, and shall be held at such time, date and place as may be determined by the person calling the meeting or, if called upon the request of directors or the sole director, as specified in such written request.

2.8 Notice of Special Meetings. Notice of any special meeting of directors shall be given to each director, as provided in Section 5.9, by whom it is not waived by the Secretary or by the officer or one of the directors calling the meeting. Notice shall be duly given to each director by (i) giving notice to such director in person or by telephone, electronic transmission or voice message system at least 24 hours in advance of the meeting, (ii) sending a facsimile to his or her last known facsimile number, or delivering written notice by hand to his or her last known business or home address, at least 24 hours in advance of the meeting, or (iii) mailing written notice to his or her last known business or home address at least three days in advance of the meeting. A notice or waiver of notice of a meeting of the Board of Directors need not specify the purposes of the meeting. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting.

2.9 Participation in Meetings by Telephone Conference Calls or Other Methods of Communication. Directors or any members of any committee designated by the directors may participate in a meeting of the Board of Directors or such committee by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation by such means shall constitute presence in person at such meeting.

2.10 Quorum. A majority of the total number of authorized directors shall constitute a quorum at any meeting of the Board of Directors. In the absence of a quorum at any such meeting, a majority of the directors present may adjourn the meeting from time to time without further notice other than announcement at the meeting, until a quorum shall be present. Interested directors may be counted in

determining the presence of a quorum at a meeting of the Board of Directors or at a meeting of a committee which authorizes a particular contract or transaction.

2.11 Action at Meeting. At any meeting of the Board of Directors at which a quorum is present, the vote of a majority of those present shall be sufficient to take any action, unless a different vote is specified by law, the Certificate of Incorporation or these Bylaws.

2.12 Action by Written Consent. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee of the Board of Directors may be taken without a meeting if all members of the Board of Directors or committee, as the case may be, consent to the action in writing or by electronic transmission, and the writings or electronic transmissions are filed with the minutes of proceedings of the Board of Directors or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

2.13 Committees. The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the Corporation, with such lawfully delegated powers and duties as it therefor confers, to serve at the pleasure of the Board of Directors. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members of the committee present at any meeting and not disqualified from voting, whether or not he, she or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors and subject to the provisions of the DGCL, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation and may authorize the seal of the Corporation to be affixed to all papers which may require it. Each such committee shall keep minutes and make such reports as the Board of Directors may from time to time request. Except as the Board of Directors may otherwise determine, any committee may make rules for the conduct of its business, but unless otherwise provided by such rules, its business shall be conducted as nearly as possible in the same manner as is provided in these Bylaws for the Board of Directors.

2.14 Compensation of Directors. Directors may be paid such compensation for their services and such reimbursement for expenses of attendance at meetings as the Board of Directors may from time to time determine. No such payment shall preclude any director from serving the Corporation or any of its parent or subsidiary corporations in any other capacity and receiving compensation for such service. Members of committees of the Board of Directors may be allowed like compensation and reimbursement of expenses for service on the committee.

2.15 Nomination of Director Candidates. The provisions set forth in this Section 2.15 shall only be effective upon the closing of the IPO.

(a) Subject to the rights of holders of any class or series of Preferred Stock then outstanding, nominations for the election of Directors at an annual meeting may be made by (i) the Board of Directors or a duly authorized committee thereof or (ii) any stockholder entitled to vote in the election of Directors generally who complies with the procedures set forth in this Bylaw and who is a stockholder of record at the time notice is delivered to the Secretary of the Corporation. Any stockholder entitled to vote in the election of Directors generally may nominate one or more persons for election as Directors at an annual meeting only if timely notice of such stockholder's intent to make such nomination or nominations has been given in writing to the Secretary of the Corporation. To be timely, a stockholder nomination for a director to be elected at an annual meeting shall be received at the Corporation's

principal executive offices not earlier than the close of business on the 120th day, nor later than the close of business on the 90th day, prior to the first anniversary of the date of the preceding year's annual meeting as first specified in the Corporation's notice of meeting (without regard to any postponements or adjournments of such meeting after such notice was first sent), except that if no annual meeting was held in the previous year or the date of the annual meeting is more than 30 days earlier or later than such anniversary date, notice by the stockholders to be timely must be received not later than the close of business on the later of the 90th day prior to the annual meeting or the 10th day following the date on which public announcement of the date of such meeting is first made. Notwithstanding the previous sentence, for purposes of determining whether a stockholder's notice shall have been received in a timely manner for the annual meeting of stockholders in 2011, to be timely, a stockholder's notice must have been received not later than the close of business on ___, 20___nor earlier than the opening of business on ___, 20_. Each such notice shall set forth (i) the name and address, as they appear on the Corporation's books, of the stockholder who intends to make the nomination and the names and addresses of the beneficial owners, if any, on whose behalf the nomination is being made and of the person or persons to be nominated, (ii) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote for the election of Directors on the date of such notice and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice, (iii) the following information regarding the ownership interests of the stockholder or such other beneficial owner, which shall be supplemented in writing by the stockholder not later than 10 days after the record date for the meeting to disclose such interests as of the record date: (A) the class and number of shares of the Corporation that are owned beneficially and of record by the stockholder and such other beneficial owner; (B) any Derivative Instrument directly or indirectly owned beneficially by such stockholder and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the Corporation; (C) any proxy, contract, arrangement, understanding, or relationship pursuant to which such stockholder has a right to vote any shares of any security of the Corporation; (D) any short interest in any security of the Corporation; (E) any rights to dividends on the shares of the Corporation owned beneficially by such stockholder that are separated or separable from the underlying shares of the Corporation; (F) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such stockholder is a general partner or, directly or indirectly, beneficially owns an interest in a general partner; and (G) any performance-related fees (other than an asset-based fee) to which such stockholder is entitled based on any increase or decrease in the value of shares of the Corporation or Derivative Instruments, if any, as of the date of such notice, including, without limitation, any such interests held by members of such stockholder's immediate family sharing the same household, (iv) a description of all arrangements or understandings between the stockholder or such beneficial owner and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder, (v) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such stockholder and such other beneficial owner, if any, and their respective affiliates and associates, or others acting in concert therewith, on the one hand, and each proposed nominee, and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand, including, without limitation all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K if the stockholder making the nomination and any beneficial owner on whose behalf the nomination is made, if any, or any affiliate or associate thereof or person acting in concert therewith, were the "registrant" for purposes of such rule and the nominee were a director or executive officer of such registrant, (vi) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission, had the nominee been nominated, or intended to be nominated, by the Board of Directors, and (vii) the consent of each nominee to serve as a director of the Corporation if so elected. In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time

period) for the giving of a stockholder's notice as described above. Notwithstanding the third sentence of this Section 2.15(a), in the event that the number of Directors to be elected at an annual meeting is increased and there is no public announcement by the Corporation naming the nominees for the additional directorships at least 100 days prior to the first anniversary of the date of the preceding year's annual meeting as first specified in the Corporation's notice of meeting (without regard to any postponements or adjournments of such meeting after such notice was first sent), a stockholder's notice required by this Section 2.15(a) shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

(b) Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (i) by or at the direction of the Board of Directors or a committee thereof or (ii) by any stockholder of the Corporation who is entitled to vote at the meeting, who complies with the notice procedures set forth in this Bylaw and who is a stockholder of record at the time such notice is delivered to the Secretary of the Corporation. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder may nominate a person or persons (as the case may be), for election to such position(s) as are specified in the Corporation's notice of meeting, if the stockholder's notice as required by Section 2.15(a) shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(c) For purposes of these Bylaws, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed or furnished by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(d) Notwithstanding the foregoing provisions of this Section 2.15, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Bylaw.

(e) Only persons nominated in accordance with the procedures set forth in this Section 2.15 shall be eligible to serve as directors. Except as otherwise provided by law, the chairman of the meeting shall have the power and duty (a) to determine whether a nomination was made in accordance with the procedures set forth in this Section 2.15 and (b) if any proposed nomination was not made in compliance with this Section 2.15, to declare that such nomination shall be disregarded.

(f) If the chairman of the meeting for the election of Directors determines that a nomination of any candidate for election as a Director at such meeting was not made in accordance with the applicable provisions of this Section 2.15, such nomination shall be void; provided, however, that nothing in this Section 2.15 shall be deemed to limit any voting rights upon the occurrence of dividend arrearages provided to holders of Preferred Stock pursuant to the Preferred Stock designation for any series of Preferred Stock.

ARTICLE III
OFFICERS

3.1 Enumeration. The officers of the Corporation elected by the Board of Directors shall consist of a Chief Executive Officer, a President, a Secretary, a Treasurer, a Chief Financial Officer and such other officers with such other titles as the Board of Directors shall determine, including, at the discretion of the Board of Directors, a Chairman of the Board and one or more Vice Presidents and Assistant Secretaries. The Board of Directors may appoint such other officers as it may deem appropriate.

3.2 Election. Officers shall be elected annually by the Board of Directors at its first meeting following the annual meeting of stockholders. Officers may be appointed by the Board of Directors at any other meeting.

3.3 Qualification. No officer need be a stockholder. Any two or more offices may be held by the same person.

3.4 Tenure. Except as otherwise provided by law, by the Certificate of Incorporation or by these Bylaws, each officer shall hold office until his or her successor is elected and qualified, unless a different term is specified in the vote appointing him, or until his or her earlier death, resignation or removal.

3.5 Resignation and Removal. Any officer may resign by delivering his or her written resignation to the Corporation at its principal office or to the Chief Executive Officer or Secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event. Any officer elected by the Board of Directors may be removed at any time, with or without cause, by the Board of Directors.

3.6 Chairman of the Board. The Board of Directors may appoint a Chairman of the Board. If the Board of Directors appoints a Chairman of the Board, he or she shall perform such duties and possess such powers as are assigned to him by the Board of Directors. Unless otherwise provided by the Board of Directors, he or she shall preside at all meetings of the Board of Directors. The Chairman of the Board must be a director of the Corporation.

3.7 Chief Executive Officer. The Chief Executive Officer of the Corporation shall, subject to the ultimate authority of the Board of Directors, have the general powers and duties of management usually vested in the chief executive officer of a corporation, including general supervision, direction and control of the business and the officers of the Corporation. He or she shall preside at all meetings of the stockholders and, in the absence or nonexistence of a Chairman of the Board, at all meetings of the Board of Directors. He or she shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws. He or she shall have power to sign stock certificates, contracts and other instruments of the Corporation which are authorized and shall have general supervision and direction of all of the other officers, employees and agents of the Corporation.

3.8 President. Subject to the ultimate authority of the Board of Directors and such supervisory powers as may be given by these Bylaws or the Board of Directors to the Chairman of the Board or the Chief Executive Officer, if such titles be held by other officers, the President shall have general supervision, direction and control of the business and supervision of other officers of the Corporation. Unless otherwise designated by the Board of Directors, the President shall be the Chief Executive Officer of the Corporation. The President shall have such other powers and duties as may be

prescribed by the Board of Directors or these Bylaws. He or she shall have power to sign stock certificates, contracts and other instruments of the Corporation which are authorized and shall have general supervision and direction of all of the other officers, employees and agents of the Corporation, other than the Chairman of the Board and the Chief Executive Officer.

3.9 Vice Presidents. Any Vice President shall perform such duties and possess such powers as the Board of Directors or the Chief Executive Officer may from time to time prescribe. In the event of the absence, inability or refusal to act of the President, the Vice President (or if there shall be more than one, the Vice Presidents in the order determined by the Board of Directors) shall perform the duties of the President and when so performing shall have at the powers of and be subject to all the restrictions upon the President. The Board of Directors may assign to any Vice President the title of Executive Vice President, Senior Vice President or any other title selected by the Board of Directors.

3.10 Secretary and Assistant Secretaries. The Secretary shall attend all meetings of the stockholders, the Board of Directors and (as required) committees of the Board of Directors and shall record the proceedings of such meetings in books to be kept for that purpose. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors and shall perform such other duties as may be prescribed by the Board of Directors, the Chairman of the Board, Chief Executive Officer or the President. The Secretary shall have custody of the corporate seal of the Corporation and the Secretary, or any Assistant Secretary, shall have authority to affix the same to any instrument requiring it, and when so affixed, it may be attested by his or her signature or by the signature of such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing thereof by his or her signature. The Secretary shall keep, or cause to be kept, at the principal executive office of the Corporation or at the office of the Corporation's transfer agent or registrar, if one has been appointed, a stock ledger, or duplicate stock ledger, showing the names of the stockholders and their addresses, the number and classes of shares held by each and, with respect to certificated shares, the number and date of certificates issued for the same and the number and date of certificates cancelled.

Any Assistant Secretary shall perform such duties and possess such powers as the Board of Directors, the Chief Executive Officer or the Secretary may from time to time prescribe. In the event of the absence, inability or refusal to act of the Secretary, the Assistant Secretary (or if there shall be more than one, the Assistant Secretaries in the order determined by the Board of Directors) shall perform the duties and exercise the powers of the Secretary.

In the absence of the Secretary or any Assistant Secretary at any meeting of directors, the person presiding at the meeting shall designate a temporary secretary to keep a record of the meeting.

3.11 Treasurer. The Treasurer shall perform such duties and have such powers as are incident to the office of treasurer, including without limitation, the duty and power to keep and be responsible for all funds and securities of the Corporation, to maintain the financial records of the Corporation, to deposit funds of the Corporation in depositories as authorized, to disburse such funds as authorized, to make proper accounts of such funds, and to render as required by the Board of Directors accounts of all such transactions and of the financial condition of the Corporation.

3.12 Chief Financial Officer. The Chief Financial Officer shall perform such duties and shall have such powers as may from time to time be assigned to him by the Board of Directors or the Chief Executive Officer. Unless otherwise designated by the Board of Directors, the Chief Financial Officer shall be the Treasurer of the Corporation.

3.13 Salaries. Officers of the Corporation shall be entitled to such salaries, compensation or reimbursement as shall be fixed or allowed from time to time by the Board of Directors.

3.14 Delegation of Authority. The Board of Directors may from time to time delegate the powers or duties of any officer to any other officers or agents, notwithstanding any provision hereof.

ARTICLE IV
CAPITAL STOCK

4.1 Issuance of Stock. Subject to the provisions of the Certificate of Incorporation, the whole or any part of any unissued balance of the authorized capital stock of the Corporation or the whole or any part of any unissued balance of the authorized capital stock of the Corporation held in its treasury may be issued, sold, transferred or otherwise disposed of by vote of the Board of Directors in such manner, for such consideration and on such terms as the Board of Directors may determine.

4.2 Certificates of Stock. The shares of the Corporation shall be represented by certificates, provided that the Board of Directors may provide by resolution or resolutions that some or all of any class or series of its stock shall be uncertificated shares; provided, however, that no such resolution shall apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Every holder of stock of the Corporation represented by certificates shall be entitled to have a certificate, in such form as may be prescribed by law and by the Board of Directors, certifying the number and class of shares owned by him in the Corporation. Each such certificate shall be signed by, or in the name of the Corporation by, (a) the Chairman of the Board, if any, the Chief Executive Officer, President or a Vice President, and (b) the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation. Any or all the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, such certificate may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar on the date of issue.

Each certificate for shares of stock which are subject to any restriction on transfer pursuant to the Certificate of Incorporation, the Bylaws, applicable securities laws or any agreement among any number of shareholders or among such holders and the Corporation shall have conspicuously noted on the face or back of the certificate either the full text of the restriction or a statement of the existence of such restriction.

4.3 Transfers.

(a) If a certificate representing shares of the Corporation is presented to the Corporation with a stock power or other indorsement requesting the registration of transfer of such shares or an instruction is presented to the Corporation requesting the registration of transfer of uncertificated shares, the Corporation shall register the transfer as requested if:

(i) in the case of certificated shares, the certificate representing such shares has been surrendered;

(ii) (A) with respect to certificated shares, the indorsement is made by the person specified by the certificate as entitled to such shares; (B) with respect to uncertificated shares, an instruction is made by the registered owner of such uncertificated shares; or (C) with respect to certificated shares or uncertificated shares, the indorsement or instruction is made by any other appropriate person or by an agent who has actual authority to act on behalf of the appropriate person;

(iii) the Corporation has received a guarantee of signature of the person signing such indorsement or instruction or such other reasonable assurance that the indorsement or instruction is genuine and authorized as the Corporation may request;

(iv) the transfer does not violate any enforceable restriction on transfer imposed by the Corporation; and

(v) such other conditions for such transfer as shall be provided for under applicable law have been satisfied.

(b) Whenever any transfer of shares shall be made for collateral security and not absolutely, the Corporation shall so record such fact in the entry of transfer if, when the certificate for such shares is presented to the Corporation for transfer or, if such shares are uncertificated, when the instruction for registration of transfer thereof is presented to the Corporation, both the transferor and transferee request the Corporation to do so.

4.4 Lost, Stolen or Destroyed Certificates.

(a) If an owner of a certificate representing shares claims that such certificate has been lost, destroyed or wrongfully taken, the Corporation shall issue a new certificate representing such shares or such shares in uncertificated form if the owner: (i) requests such a new certificate before the Corporation has notice that the certificate representing such shares has been acquired by a protected purchaser; (ii) if requested by the Corporation, delivers to the Corporation a bond sufficient to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, wrongful taking or destruction of such certificate or the issuance of such new certificate or uncertificated shares; and (iii) satisfies other reasonable requirements imposed by the Corporation.

(b) If a certificate representing shares has been lost, apparently destroyed or wrongfully taken, and the owner fails to notify the Corporation of that fact within a reasonable time after the owner has notice of such loss, apparent destruction or wrongful taking and the Corporation registers a transfer of such shares before receiving notification, the owner shall be precluded from asserting against the Corporation any claim for registering such transfer or a claim to a new certificate representing such shares or such shares in uncertificated form.

4.5 Registered Stockholders. Before due presentment for registration of transfer of a certificate representing shares of the Corporation or of an instruction requesting registration of transfer of uncertificated shares, the Corporation may treat the registered owner as the person exclusively entitled to inspect for any proper purpose the stock ledger and the other books and records of the Corporation, vote such shares, receive dividends or notifications with respect to such shares and otherwise exercise all the rights and powers of the owner of such shares, except that a person who is the beneficial owner of such shares (if held in a voting trust or by a nominee on behalf of such person) may, upon providing documentary evidence of beneficial ownership of such shares and satisfying such other conditions as are provided under applicable law, may also so inspect the books and records of the Corporation.

4.6 Regulations. The Board of Directors shall have power and authority to make such additional rules and regulations, subject to any applicable requirement of law, as the Board of Directors may deem necessary and appropriate with respect to the issue, transfer or registration of transfer of shares of stock or certificates representing shares. The Board of Directors may appoint one or more transfer agents or registrars and may require for the validity thereof that certificates representing shares bear the signature of any transfer agent or registrar so appointed.

4.7 Record Date. The Board of Directors may fix in advance a record date for the determination of the stockholders entitled to notice of or to vote at any meeting of stockholders or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights in respect of any change, concession or exchange of stock, or for the purpose of any other lawful action. Such record date shall not precede the date on which the resolution fixing the record date is adopted and shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action to which such record date relates.

If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day before the day on which notice is given, or, if notice is waived, at the close of business on the day before the day on which the meeting is held. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting when no prior action by the Board of Directors is necessary shall be the day on which the first written consent is expressed. The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating to such purpose.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

ARTICLE V
GENERAL PROVISIONS

5.1 Fiscal Year. The fiscal year of the Corporation shall be as fixed by the Board of Directors.

5.2 Corporate Seal. The corporate seal shall be in such form as shall be approved by the Board of Directors. The seal may be used by causing it or a facsimile thereof to be impressed, affixed or otherwise reproduced.

5.3 Waiver of Notice. Whenever any notice whatsoever is required to be given by law, by the Certificate of Incorporation or by these Bylaws, a waiver of such notice either in writing signed by the person entitled to such notice or such person's duly authorized attorney, or by electronic transmission or any other method permitted under the DGCL, whether before, at or after the time stated in such waiver, or the appearance of such person or persons at such meeting in person or by proxy, shall be deemed equivalent to such notice. Attendance at a meeting shall constitute a waiver of notice of such meeting, except where a person attends for the express purpose of objecting to the transaction of any business on the ground that the meeting was not lawfully called or convened.

5.4 Actions with Respect to Securities of Other Corporations. Except as the Board of Directors may otherwise designate, the Chief Executive Officer or President or any officer of the Corporation authorized by the Chief Executive Officer or President shall have the power to vote and otherwise act on behalf of the Corporation, in person or proxy, and may waive notice of, and act as, or appoint any person or persons to act as, proxy or attorney-in-fact to this Corporation (with or without power of substitution) at any meeting of stockholders or shareholders (or with respect to any action of stockholders) of any other corporation or organization, the securities of which may be held by this Corporation and otherwise to exercise any and all rights and powers which this Corporation may possess by reason of this Corporation's ownership of securities in such other corporation or other organization.

5.5 Evidence of Authority. A certificate by the Secretary, or an Assistant Secretary, or a temporary Secretary, as to any action taken by the stockholders, directors, a committee or any officer or representative of the Corporation shall as to all persons who rely on the certificate in good faith be conclusive evidence of such action.

5.6 Certificate of Incorporation. All references in these Bylaws to the Certificate of Incorporation shall be deemed to refer to the Certificate of Incorporation of the Corporation, as amended and in effect from time to time.

5.7 Severability. Any determination that any provision of these Bylaws is for any reason inapplicable, illegal or ineffective shall not affect or invalidate any other provision of these Bylaws.

5.8 Pronouns. All pronouns used in these Bylaws shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the person or persons may require.

5.9 Notices.

(a) Whenever under applicable law, the Certificate of Incorporation or these Bylaws notice is required to be given to any director, such notice shall be given either (i) in writing and sent by hand delivery, through the United States mail, or by a nationally recognized overnight delivery service for next day delivery, (ii) by means of facsimile telecommunication or other form of electronic transmission, or (iii) by oral notice given personally or by telephone. A notice to a director will be deemed given as follows: (i) if given by hand delivery, orally, or by telephone, when actually received by the director, (ii) if sent through the United States mail, when deposited in the United States mail, with postage and fees thereon prepaid, addressed to the director at the director's address appearing on the records of the Corporation, (iii) if sent for next day delivery by a nationally recognized overnight delivery service, when deposited with such service, with fees thereon prepaid, addressed to the director at the director's address appearing on the records of the Corporation, (iv) if sent by facsimile telecommunication, when sent to the facsimile transmission number for such director appearing on the records of the Corporation, (v) if sent by electronic mail, when sent to the electronic mail address for such director appearing on the records of the Corporation, or (vi) if sent by any other form of electronic transmission, when sent to the address, location or number (as applicable) for such director appearing on the records of the Corporation.

(b) Whenever under applicable law, the Certificate of Incorporation or these Bylaws notice is required to be given to any stockholder, such notice may be given (i) in writing and sent either by hand delivery, through the United States mail, or by a nationally recognized overnight delivery service for next day delivery, or (ii) by means of a form of electronic transmission consented to by the stockholder, to the extent permitted by, and subject to the conditions set forth in Section 232 of the DGCL. A notice to a stockholder shall be deemed given as follows: (i) if given by hand delivery, when actually received by the stockholder, (ii) if sent through the United States mail, when deposited in the United States mail, with postage and fees thereon prepaid, addressed to the stockholder at the stockholder's address appearing on the stock ledger of the Corporation, (iii) if sent for next day delivery by a nationally recognized overnight delivery service, when deposited with such service, with fees thereon prepaid, addressed to the stockholder at the stockholder's address appearing on the stock ledger of the Corporation, and (iv) if given by a form of electronic transmission consented to by the stockholder to whom the notice is given and otherwise meeting the requirements set forth above, (A) if by facsimile transmission, when directed to a number at which the stockholder has consented to receive notice, (B) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice, (C) if by a posting on an electronic network together with separate notice to the stockholder of such specified posting, upon the later of (1) such posting and (2) the giving of such

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separate notice, and (D) if by any other form of electronic transmission, when directed to the stockholder. A stockholder may revoke such stockholder's consent to receiving notice by means of electronic communication by giving written notice of such revocation to the Corporation. Any such consent shall be deemed revoked if (1) the Corporation is unable to deliver by electronic transmission two consecutive notices given by the Corporation in accordance with such consent and (2) such inability becomes known to the Secretary or an Assistant Secretary or to the Corporation's transfer agent, or other person responsible for the giving of notice; provided, however, the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action.

(c) "Electronic transmission" means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process, including but not limited to transmission by telex, facsimile telecommunication, electronic mail, telegram and cablegram.

(d) Without limiting the manner by which notice otherwise may be given effectively by the Corporation to stockholders, any notice to stockholders given by the Corporation under any provision of the DGCL, the Certificate of Incorporation or these Bylaws shall be effective if given by a single written notice to stockholders who share an address if consented to by the stockholders at that address to whom such notice is given. A stockholder may revoke such stockholder's consent by delivering written notice of such revocation to the Corporation. Any stockholder who fails to object in writing to the Corporation within 60 days of having been given written notice by the Corporation of its intention to send such a single written notice shall be deemed to have consented to receiving such single written notice.

(e) Whenever notice is required to be given, under the DGCL, the Certificate of Incorporation or these Bylaws, to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting that shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given. If the action taken by the Corporation is such as to require the filing of a certificate with the Secretary of State of Delaware, the certificate shall state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

(f) Whenever notice is required to be given by the Corporation, under any provision of the DGCL, the Certificate of Incorporation or these Bylaws, to any stockholder to whom (1) notice of two consecutive annual meetings of stockholders and all notices of stockholder meetings or of the taking of action by written consent of stockholders without a meeting to such stockholder during the period between such two consecutive annual meetings, or (2) all, and at least two payments (if sent by first-class mail) of dividends or interest on securities during a 12-month period, have been mailed addressed to such stockholder at such stockholder's address as shown on the records of the Corporation and have been returned undeliverable, the giving of such notice to such stockholder shall not be required. Any action or meeting that shall be taken or held without notice to such stockholder shall have the same force and effect as if such notice had been duly given. If any such stockholder shall deliver to the Corporation a written notice setting forth such stockholder's then-current address, the requirement that notice be given to such stockholder shall be reinstated. If the action taken by the Corporation is such as to require the filing of a certificate with the Secretary of State of Delaware, the certificate need not state that notice was not given to persons to whom notice was not required to be given pursuant to Section 230(b) of the DGCL. The exception in subsection (1) of the first sentence of this paragraph to the requirement

that notice be given shall not be applicable to any notice returned as undeliverable if the notice was given by electronic transmission.

(g) Whenever any notice is required to be given under applicable law, the Certificate of Incorporation, or these Bylaws, a written waiver of such notice, signed before or after the date of such meeting by the person or persons entitled to said notice, or a waiver by electronic transmission by the person entitled to said notice, shall be deemed equivalent to such required notice. All such waivers shall be kept with the books of the Corporation. Attendance at a meeting shall constitute a waiver of notice of such meeting, except where a person attends for the express purpose of objecting to the transaction of any business on the ground that the meeting was not lawfully called or convened.

5.10 Reliance Upon Books, Reports and Records. Each director, each member of any committee designated by the Board of Directors, and each officer of the Corporation shall, in the performance of his or her duties, be fully protected in relying in good faith upon the books of account or other records of the Corporation as provided by law, including reports made to the Corporation by any of its officers, by an independent certified public accountant, or by an appraiser selected with reasonable care.

5.11 Time Periods. In applying any provision of these Bylaws which require that an act be done or not done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used, the day of the doing of the act shall be excluded, and the day of the event shall be included.

5.12 Facsimile Signatures. In addition to the provisions for use of facsimile signatures elsewhere specifically authorized in these Bylaws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board of Directors or a committee thereof.

ARTICLE VI
AMENDMENTS

In furtherance and not in limitation of the powers conferred upon it by law, the Board of Directors is expressly empowered to adopt, amend, alter or repeal the Bylaws of the Corporation. The stockholders shall also have power to adopt, amend, alter or repeal the Bylaws of the Corporation. Any adoption, amendment, alteration or repeal of the Bylaws of the Corporation by the stockholders shall require, in addition to any vote of the holders of any class or series of stock of the Corporation required by law, the Certificate of Incorporation or these Bylaws, the affirmative vote of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

ARTICLE VII
INDEMNIFICATION OF DIRECTORS AND OFFICERS

7.1 Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative ("proceeding"), by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director or officer of another corporation, or as a controlling person of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director or officer, or in any other capacity while serving as a director or officer, shall be indemnified and held harmless by the Corporation to the fullest extent not prohibited by the DGCL, as the same exists or may hereafter be amended, against

all expenses, liability and loss (including, without limitation, attorney's fees, judgments, fines, ERISA excise taxes and penalties and amounts paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that except as provided in Section 7.2 of this Article VII, the Corporation shall indemnify any such person seeking indemnity in connection with a proceeding (or part thereof other than a mandatory counterclaim) initiated by such person only if the proceeding (or part thereof other than a mandatory counterclaim) was authorized by the Board of Directors of the Corporation. The rights hereunder shall be contract rights and shall include the right to be paid expenses (including, without limitation, attorney's fees) incurred in defending, testifying, or otherwise participating in any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"). The Corporation shall to the fullest extent not prohibited by applicable law pay the expenses (including, without limitation, attorneys' fees) incurred by a Covered Person in defending, testifying, or otherwise participating in any proceeding in advance of its final disposition; provided, however, that if the DGCL requires, an advancement of expenses incurred by a director or officer of the Corporation in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it should be determined ultimately by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication")that such director or officer is not entitled to be indemnified under this section or otherwise.

7.2 Right of Claimant to Bring Suit. If a claim under Section 7.1 is not paid in full by the Corporation within 60 days after a written claim has been received by the Corporation, or 20 days in the case of a claim for advancement of expenses, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the claimant shall be entitled to be paid also the expense of prosecuting or defending such claim. In (a) any suit brought by the claimant to enforce a right to indemnification hereunder (but not in a suit brought by a claimant to enforce a right to an advancement of expenses) it shall be a defense that, and (b) in any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final adjudication that, the claimant has not met any applicable standard for indemnification set forth in the DGCL. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct. In any suit brought by the claimant to enforce a right to indemnification or to an advancement of expenses hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the claimant is not entitled to be indemnified, or to such advancement of expenses, under this Article VII or otherwise, shall be on the Corporation.

7.3 Indemnification of Employees and Agents. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification, and to the advancement of related expenses, to any employee or agent of the Corporation to the fullest extent of the provisions of this Article with respect to the indemnification of and advancement of expenses to directors and officers of the Corporation.

7.4 Non-Exclusivity of Rights. The rights conferred on any person in this Article VII shall not be exclusive of any other right which such persons may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

7.5 Indemnification Contracts. The Board of Directors is authorized to enter into a contract with any director, officer, employee or agent of the Corporation, or any person serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including employee benefit plans, providing for indemnification rights equivalent to or, if the Board of Directors so determines, greater than, those provided for in this Article VII.

7.6 Insurance. The Corporation may maintain insurance to the extent reasonably available, at its expense, to protect itself and any such director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the DGCL.

7.7 Effect of Amendment. Any repeal or amendment of this Article VII by the Board of Directors or the stockholders of the Corporation or by changes in applicable law, or the adoption of any other provision of these Bylaws inconsistent with this Article VII, shall, to the extent permitted by applicable law, be prospective only (except to the extent such amendment or change in applicable law permits the Corporation to provide broader indemnification rights to claimants on a retroactive basis than permitted prior thereto), and will not in any way diminish or adversely affect any right or protection existing hereunder in respect of any act or omission occurring prior to such repeal or amendment or adoption of such inconsistent provision.

7.8 Certain Definitions. For purposes of this Article VII, (a) references to "other enterprise" shall include any employee benefit plan; (b) references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; (c) references to "serving at the request of the Corporation" shall include any service that imposes duties on, or involves services by, a person with respect to any employee benefit plan, its participants, or beneficiaries; and (d) a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interest of the Corporation" for purposes of Section 145 of the DGCL.

7.9 Contract Rights. The rights provided to claimants pursuant to this Article VII (a) shall be contract rights based upon good and valuable consideration, pursuant to which a claimant may bring suit as if the provisions of this Article VII were set forth in a separate written contract between the claimant and the Corporation, (b) shall fully vest at the time the claimant first assumes his or her position as a director or officer of the Corporation, (c) are intended to be retroactive and shall be available with respect to any act or omission occurring prior to the adoption of this Article VII, (d) shall continue as to a claimant who has ceased to be a director or officer of the Corporation, and (e) shall inure to the benefit of the claimant's heirs, executors and administrators.

Exhibit 4.1

REGISTRATION RIGHTS AGREEMENT

This **REGISTRATION RIGHTS AGREEMENT** (this "***Agreement***") dated as of November 9, 2009 entered into by and between MagnaChip Semiconductor LLC, a Delaware limited liability company (or any other Affiliate entity or entities created through any Solvent Reorganization or designated by the Board of Managers, the "***Company***"), and each of the individuals and entities listed on Schedule I attached hereto (the "***Securityholders***").

A. On August 25, 2009, the Creditor's Committee of the Company and certain of its debtor subsidiaries filed that certain Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code (as may be amended, the "***Plan***"), which provides that the Securityholders shall receive units of the Company's membership interests (the "***Common Units***" or the "***Initial Securities***").

B. In connection with the consummation of the transactions contemplated by the Plan, the Company and the Securityholders desire to enter into this Agreement to provide the Securityholders registration rights with respect to the Registrable Securities (as defined herein) of the Company held by them including, without limitation, the Initial Securities.

AGREEMENT:

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

ARTICLE I.

REGISTRATION RIGHTS

Section 1.1 Definitions. For purposes of this Agreement:

(a) "***Affiliate***" means, with respect to any Person, any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such Person. The term "control" (including, with correlative meaning, the terms "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct, or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

(b) "***Demand Registration***" means a registration requested pursuant to Section 1.3.

(c) "***Exchange Act***" means the United States Securities Exchange Act of 1934, as amended.

(d) "***FINRA***" means the Financial Industry Regulatory Authority, Inc.

(e) "***Holder***" means a Person that (i) is a party to this Agreement (or a permitted transferee under Section 1.11) and (ii) owns Registrable Securities.

(f) "***IPO***" means an initial firm commitment underwritten public offering of the Company's securities.

(g) "***Participating Holders***" means Holders participating, or electing to participate, in an offering of Registrable Securities.

(h) "***Person***" means any individual, firm, corporation, company, partnership, trust, incorporated or unincorporated association, limited liability company, joint venture, joint stock company, government (or an agency or political subdivision thereof) or other entity of any kind, and shall include any successor (by merger or otherwise) of any such entity.

(i) "***Qualified Public Offering***" means a firm commitment underwritten public offering of the Company's securities pursuant to an effective registration statement filed by the Company under the Securities Act resulting in gross proceeds of at least $75,000,000 to the Company.

(j) "***Reclassified Securities***" means the Securities received in connection with the exchange of the Common Units into Securities of the Company or its Subsidiaries or distribution of Securities of the Company or its Subsidiaries in respect of Common Units to effect a Solvent Reorganization in connection with an IPO of the Company.

(k) "***Register***," "***registered***" and "***registration***" mean a registration effected by preparing and filing a Registration Statement in compliance with the Securities Act, and the declaration or ordering of effectiveness of such Registration Statement.

(l) "***Registrable Securities***" means all Reclassified Securities held by the Securityholders (including a permitted transferee under Section 1.11 hereof) whether acquired on or after the effective date of the Plan, including, without limitation, (i) the Initial Securities, (ii) any securities issued by the Company, which are convertible into Reclassified Securities, including the Warrants, and (iii) any Reclassified Securities issued as a dividend or other distribution with respect to or in exchange for or in replacement of the securities referenced in (i) or (ii) above; *provided*, *however*, that Registrable Securities, once issued, shall cease to be Registrable Securities (a) upon the sale thereof pursuant to an effective Registration Statement, (b) upon the sale thereof pursuant to Rule 144 (or successor rule) under the Securities Act, (c) upon the sale in a private transaction in which the transferor's rights under this Agreement are not validly assigned in accordance with the terms of this Agreement and (d) when such securities cease to be outstanding.

(m) "***Registration Expenses***" means all expenses (other than Selling Expenses) arising from or incident to the performance of, or compliance with, this Agreement, including, without limitation, (i) SEC, stock exchange, FINRA and other registration and filing fees, (ii) all fees and expenses incurred in connection with complying with any securities or blue sky laws (including, without limitation, fees, charges and disbursements of counsel in connection with blue sky qualifications of the Registrable Securities), (iii) all printing, messenger and delivery expenses, (iv) the fees, charges and disbursements of counsel to the Company and of its independent public accountants and any other accounting and legal fees, charges and expenses incurred by the Company (including, without limitation, any expenses arising from any special

audits or "comfort letters" required in connection with or incident to any registration), (v) the fees, charges and disbursements of any special experts retained by the Company in connection with any registration pursuant to the terms of this Agreement, (vi) all internal expenses of the Company (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), (vii) the fees and expenses incurred in connection with the listing of the Registrable Securities on any securities exchange and (viii) Securities Act liability insurance if the Company elects to obtain such insurance, regardless of whether any Registration Statement filed in connection with such registration is declared effective. "***Registration Expenses***" shall also include fees, charges and disbursements of one (1) firm of counsel to all of the Participating Holders participating in any underwritten public offering (which shall be selected by a majority, based on the number of Registrable Securities to be sold, of the Participating Holders).

(n) "***Registration Statement***" means any Registration Statement of the Company filed with the SEC on the appropriate form pursuant to the Securities Act which covers any of the Registrable Securities pursuant to the provisions of this Agreement and all amendments and supplements to any such Registration Statement, including post-effective amendments, in each case including the prospectus contained therein, all exhibits thereto and all materials incorporated by reference therein.

(o) "***SEC***" or "***Commission***" means the United States Securities and Exchange Commission.

(p) "***Securities***" shall mean, with respect to any Person, all equity interests of such Person, all securities convertible into or exchangeable for equity interests of such Person, and all options, warrants, and other rights to purchase or otherwise acquire from such Person equity interests, including any equity appreciation or similar rights, contractual or otherwise.

(q) "***Securities Act***" means the United States Securities Act of 1933, as amended, or any successor statute.

(r) "***Selling Expenses***" means the underwriting fees, discounts, selling commissions and stock transfer taxes applicable to all Registrable Securities registered by the Participating Holders and fees and disbursements of counsel for any Participating Holder (other than the fees, charges and disbursements of one (1) firm of counsel to all of the Participating Holders as included in Registration Expenses).

(s) "***Solvent Reorganization***" shall mean any solvent reorganization of the Company, including by merger, consolidation, recapitalization, transfer or sale of shares or assets, or contribution of assets and/or liabilities, or any liquidation, exchange of Securities, conversion of entity, migration of entity, formation of new entity, or any other transaction or group of related transactions (in each case other than to or with an unaffiliated third party), in which:

(i) all holders of the same class of Securities of the Company are offered the same amount of consideration in respect of such Securities; and

(ii) all holders' economic interests in the Company, relative to each other and all other holders of Securities of the Company, are preserved.

(t) "***Subsidiary***" means, with respect to any Person, any corporation, association, partnership, limited liability company or other business entity of which 50% or more of the total voting power of equity interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, representatives or trustees thereof is at the time owned or controlled, directly or indirectly, by (a) such Person, (b) such Person and one or more subsidiaries of such Person, or (c) one or more subsidiaries of such Person. For purposes of this definition, the terms "***control***," "***controlling***," "***controlled by***" and "***under common control with***," as used with respect to any Person, means the possession, directly or indirectly, of the power to direct the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

Section 1.2 Qualified Public Offering.

(a) Upon the written request of one or more Holders owning at least fifty percent (50%) of the Registrable Securities on a fully diluted basis, the Company shall use commercially reasonable efforts to consummate a Qualified Public Offering within one hundred eighty (180) days from the date on which the Company receives such written request.

(b) The Company shall be entitled to temporarily postpone such Qualified Public Offering for a reasonable period of time if the Board of Managers of the Company (i) determines that in the Board of Managers' reasonable judgment and good faith consummation of a Qualified Public Offering would materially adversely affect the business, operations or financial position of the Company or any of its subsidiaries and (ii) promptly gives the Holders written notice of such determination, containing a general statement of the reasons for such postponement and an approximation of the period of the anticipated delay; *provided*, *however*, that such postponement shall be no longer than sixty (60) days.

Section 1.3 Demand Registration Rights.

(a) (i) Subject to the terms and conditions hereof, commencing on the date which is ninety (90) days following the completion of a Qualified Public Offering, any Holder or group of Holders (the "***Initiating Holders***") shall have the right to request by written notice, which shall state the number of shares of Registrable Securities to be disposed of and the intended methods of disposition of such shares (the "***Demand Notice***"), given to the Company that the Company register under and in accordance with the provisions of the Securities Act all or any portion of the Registrable Securities designated by such Holder(s); *provided*, *however*, that such Registrable Securities represent at least twenty percent (20%) of the Registrable Securities on a fully diluted basis.

(ii) Subject to the terms and conditions hereof, after the Company has become eligible for the use of SEC Form S-3, each Holder shall be entitled to request by Demand Notice given to the Company that the Company effect a Demand Registration under SEC Form S-3 or any similar short form registration statement with respect to all or part of the Registrable Securities designated by such Holder(s) in accordance with the provisions of the Securities Act (each a "***S-3 Demand Registration***").

(iii) Notwithstanding the above, the Company shall not be obligated to effect, or to take any action to effect, any Demand Registration pursuant to Section 1.3(a)(i) above:

(A) if the Initiating Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate offering price to the public of less than $10,000,000;

(B) after the Company has initiated four (4) such registrations pursuant to Section 1.3(a)(i) unless such Demand Registrations do not become effective or the applicable Registrable Securities are not sold pursuant to such registration because the applicable Demand Registration is not maintained in effect for the respective periods set forth in Section 1.3(c), in which case such Demand Registration shall not be treated as a counted registration for purposes of this Section 1.3(a)(iii)(B).

(C) in any particular jurisdiction in which the Company would be required to file a general consent to service of process in any jurisdiction where it has not theretofore done so or to take any action that would subject it to general service of process or taxation in any such jurisdiction where it is not then subject, except as may be required by the Securities Act; or

(D) if, in a given three-month period, the Company has effected one (1) Demand Registration pursuant to Section 1.3(a)(i) in such period.

(iv) Notwithstanding the above, the Company shall not be obligated to effect, or to take any action to effect, any Demand Registration pursuant to Section 1.3(a)(ii) above:

(A) if the Initiating Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) on Form S-3 at an aggregate offering price to the public of less than $1,000,000;

(B) in any particular jurisdiction in which the Company would be required to file a general consent to service of process in any jurisdiction where it has not theretofore done so or to take any action that would subject it to general service of process or taxation in any such jurisdiction where it is not then subject, except as may be required by the Securities Act; or

(C) if, in a given one-month period, the Company has effected one (1) S-3 Demand Registration pursuant to Section 1.3(a)(ii) in such period.

(v) Upon receipt of a Demand Notice, the Company shall promptly (and in any event within ten (10) business days from the date of receipt of such Demand Notice) notify all other Holders of the receipt of such Demand Notice and allow them the opportunity to include Registrable Securities held by them in the proposed registration by submitting their own Demand Notice. If the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, then they shall so advise the Company as a part of their Demand Notice. In such event, the right of any Holder to include such Holder's Registrable Securities in such registration shall be conditioned upon such Holder's participation in such

underwriting and the inclusion of such Holder's Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein. The underwriters will be selected by the Company and shall be reasonably acceptable to a majority in interest of the Initiating Holders. All Holders proposing to distribute their Registrable Securities through such underwriting shall enter into an underwriting agreement in customary form with the managing underwriter or underwriters selected for such underwriting. Notwithstanding any other provision of this Section 1.3, in connection with any Demand Registration in which more than one Holder participates, in the event that such Demand Registration involves an underwritten offering and the managing underwriter or underwriters participating in such offering advise in writing to the Holders of Registrable Securities to be included in such offering that the total number of Registrable Securities to be included in such offering exceeds the amount that can be sold in (or during the time of) such offering without materially delaying or jeopardizing the success of such offering (including the price per share of the Registrable Securities to be sold), then the Registrable Securities to be offered for the account of the Holders who have elected to participate shall be equally divided between such Holders pro rata on the basis of the number of Registrable Securities beneficially owned by each such Holder); *provided, however*, that the number of shares of Registrable Securities to be included in such underwriting and registration shall not be reduced unless all other securities of the Company are first entirely excluded from the underwriting and registration. Any Registrable Securities excluded and withdrawn from such underwriting shall be withdrawn from the registration.

(b) The Company, within forty-five (45) days of the date on which the Company receives a Demand Notice given by Holders in accordance with Section 1.3(a) hereof, shall file with the SEC, and the Company shall thereafter use its commercially reasonable efforts to cause to be declared effective as promptly as practicable, a Registration Statement, in accordance with the intended method or methods of distribution, of the total number of Registrable Securities specified by the Holders in such Demand Notice (a "***Demand Registration***"), which may, at the request of the Holders, be a "shelf" registration (a "***Shelf Registration***") pursuant to Rule 415 under the Securities Act.

(c) The Company shall use commercially reasonable efforts to keep each Registration Statement filed pursuant to this Section 1.3 continuously effective and usable for the resale of the Registrable Securities covered thereby (i) in the case of a registration that is not a Shelf Registration, for a period of one hundred twenty (120) days from the date on which the SEC declares such Registration Statement effective and (ii) in the case of a Shelf Registration, for a period of two (2) years from the date on which the SEC declares such Registration Statement effective, in either case (x) until such earlier date as all of the Registrable Securities covered by such Registration Statement have been sold pursuant to such Registration Statement, and (y) as such period may be extended pursuant to this Section 1.3. The time period for which the Company is required to maintain the effectiveness of any Registration Statement shall be extended by the aggregate number of days of all Delay Periods and all Interruption Periods occurring with respect to such registration and such period and any extension thereof is hereinafter referred to as the "***Effectiveness Period***."

(d) The Company shall be entitled to postpone the filing of any Registration Statement otherwise required to be prepared and filed by the Company pursuant to this Section

1.3, or suspend the use of any effective Registration Statement under this Section 1.3, for a reasonable period of time (a "***Delay Period***"), if the Board of Managers of the Company determines that in the Board of Managers' reasonable judgment and good faith the registration and distribution of the Registrable Securities covered or to be covered by such Registration Statement would materially interfere with any pending material financing, acquisition or corporate reorganization or other material corporate development involving the Company or any of its subsidiaries or would require premature disclosure thereof and promptly gives the Holders written notice of such determination, containing a general statement of the reasons for such postponement and an approximation of the period of the anticipated delay; *provided, however*, that (i) the aggregate number of days included in all Delay Periods during any consecutive twelve (12) months shall not exceed the aggregate of (x) sixty (60) days minus (y) the number of days occurring during all Interruption Periods during such consecutive twelve (12) months and (ii) a period of at least forty-five (45) days shall elapse between the termination of any Delay Period or Interruption Period and the commencement of the immediately succeeding Delay Period. If the Company shall so postpone the filing of a Registration Statement, the Holders of Registrable Securities to be registered shall have the right to withdraw the request for registration by giving written notice from the Holders of a majority in number of the Registrable Securities that were to be registered to the Company within forty-five (45) days after receipt of the notice of postponement or, if earlier, the termination of such Delay Period (and, in the event of such withdrawal, such request shall not be counted for purposes of determining the number of requests for registration to which the Holders of Registrable Securities are entitled pursuant to this Section 1.3). The Company shall not be entitled to initiate or continue a Delay Period unless it shall (A) concurrently prohibit sales by all other security holders under registration statements covering securities held by such other security holders and (B) in accordance with the Company's policies from time to time in effect, forbid purchases and sales in the open market by senior executives of the Company.

(e) The Company shall not include any securities that are not Registrable Securities in any Registration Statement filed pursuant to this Section 1.3 without the prior written consent of the Holders of a majority in number of the Registrable Securities covered by such Registration Statement.

(f) Holders of a majority in number of the Registrable Securities to be included in a Registration Statement pursuant to this Section 1.3 may, at any time prior to the effective date of the Registration Statement relating to such Registration, revoke such request by providing a written notice to the Company revoking such request. Any such Demand Request so withdrawn shall not be counted for purposes of determining the number of requests for registration to which the Holders of Registrable Securities are entitled pursuant to this Section 1.3 if the Holders of Registrable Securities who revoked such request reimburse the Company for all its out-of-pocket expenses incurred in the preparation, filing and processing of the Registration Statement; provided, however, that, if such revocation was based on (i) the Company's failure to comply in any material respect with its obligations hereunder, (ii) the institution by the Company of a Delay Period or (iii) a material adverse change in the condition, business or prospects of the Company not known to the Holders at the time of their request for such registration and such revocation was made with reasonable promptness after the Holders learned of such material adverse change, such reimbursement shall not be required.

Section 1.4 Piggyback Registrations.

(a) Right to Include Registrable Securities. Each time that the Company proposes for any reason to register any of its equity securities under the Securities Act for its own account other than pursuant to a Registration Statement on Forms S-4 or S-8 (or similar or successor forms) or a registration pursuant to Section 1.3, a registration relating solely to employee benefit plans, a registration relating to the offer and sale of debt securities, a registration relating to a corporate reorganization or other Rule 145 transaction, or a registration on any registration form that does not permit secondary sales (a "***Proposed Registration***"), the Company shall promptly give written notice of such Proposed Registration to all of the Holders of Registrable Securities (which notice shall be given not less than thirty (30) days prior to the expected effective date of the Company's Registration Statement) and shall, subject to the provisions of this Section 1.4, use its commercially reasonable efforts to cause to be registered all of the Registrable Securities that each such Holder has requested to be included in such Proposed Registration. The rights to piggyback registration may be exercised an unlimited number of occasions.

(b) Piggyback Procedure. Each Holder of Registrable Securities shall have twenty (20) days from the date of receipt of the Company's notice referred to in Section 1.4(a) above to deliver to the Company a written request specifying the number of Registrable Securities such Holder intends to sell and such Holder's intended method of disposition. Any Holder shall have the right to withdraw such Holder's request for inclusion of such holder's Registrable Securities in any Registration Statement pursuant to this Section 1.4 by giving written notice to the Company of such withdrawal; *provided*, *however*, that the Company may ignore a notice of withdrawal made within twenty-four (24) hours of the time the Registration Statement is to become effective. Subject to Section 1.4(d) below, the Company shall use its commercially reasonable efforts to include in such Registration Statement all such Registrable Securities so requested to be included therein; *provided*, *however*, that the Company may at any time withdraw or cease proceeding with any such Proposed Registration if it shall at the same time withdraw or cease proceeding with the registration of all other equity securities originally proposed to be registered. If a registration of which the Company gives notice under this Section 1.4 is for an underwritten offering, then the Company shall so advise the Holders. In such event, the right of any Holder to include such Holder's Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their Registrable Securities through such underwriting shall enter into an underwriting agreement in customary form with the managing underwriters selected for such underwriting. If any Holder disapproves of the terms of any such underwriting, such Holder may elect to withdraw therefrom by written notice to the Company and the managing underwriters. Any Registrable Securities excluded or withdrawn from such underwriting shall be excluded and withdrawn from the registration.

(c) Selection of Underwriters. The managing underwriter for any Proposed Registration that involves an underwritten public offering shall be one or more reputable nationally recognized investment banks selected by the Company and reasonably acceptable to a majority in interest of the Participating Holders.

(d) Priority for Piggyback Registration. Notwithstanding any other provision of this Agreement, if the managing underwriter of an underwritten public offering determines and advises the Company and the Holders in writing that the inclusion of all Registrable Securities proposed to be included by the Holders of Registrable Securities in the underwritten public offering would materially and adversely interfere with the successful marketing of the Company's securities, then the Holders of Registrable Securities shall not be permitted to include any Registrable Securities in excess of the amount, if any, of Registrable Securities which the managing underwriter of such underwritten public offering shall reasonably and in good faith agree in writing to include in such public offering in addition to the amount of securities to be registered for the Company. The Company will be obligated to include in such Registration Statement, as to each Holder, only a portion of the Registrable Securities such Holder has requested be registered equal to the ratio which such Holder's requested Registrable Securities bears to the total number of Registrable Securities requested to be included in such Registration Statement by all Holders who have requested that their Registrable Securities be included in such Registration Statement. It is acknowledged by the parties hereto that pursuant to the foregoing provision, the securities to be included in a registration initiated by the Company shall be allocated:

(i) first, to the Company;

(ii) second, pari passu to the Participating Holders; and

(iii) third, to any others requesting registration of securities of the Company.

If as a result of the provisions of this Section 1.4(d), any Holder shall not be entitled to include all of its Registrable Securities in a registration that such Holder has requested to be so included, such Holder may withdraw such Holder's request to include Registrable Securities in such Registration Statement.

Section 1.5 Holdback Agreements.

(a) Restrictions on Public Sale by Holders. Restrictions on Public Sale by Securityholders. If requested by the lead managing underwriter, each Securityholder agrees not to effect any public sale or distribution of any Company Securities (including any Reclassified Securities) or of any securities convertible into or exchangeable or exercisable for such Company Securities (including any Reclassified Securities), including a sale pursuant to Rule 144 under the Securities Act, during a period of not more than one hundred and eighty (180) days after, an IPO pursuant to an effective Registration Statement commencing on the effective date of the Registration Statement (the "***Lock-Up Period***"), unless expressly authorized to do so by the lead managing underwriter; *provided*, *however*, that if any other holder of securities of the Company shall be subject to a shorter period or receives more advantageous terms relating to the Lock-Up Period, then the Lock-Up Period shall be such shorter period and also on such more advantageous terms and notwithstanding the foregoing, the Securityholders shall not be required to sign lock-up agreements unless all of the Company's directors, officers and securityholders owning one percent (1%) or more of the Company's fully diluted voting stock have signed lock-up agreements with the managing underwriters. Any such lock-up agreements signed by the Securityholders shall contain reasonable and customary exceptions, including, without limitation,

the right of a Securityholder to make transfers to certain Affiliates and transfers related to securities owned by Securityholders as a result of open market purchases made following the closing of the applicable offering. The Company shall be authorized to impose stop-transfer instructions with respect to the securities subject to the foregoing restrictions until the end of the relevant period.

(b) Restrictions on Public Sale by the Company. The Company agrees not to effect any public sale or distribution of any securities for its own account (except pursuant to registrations on Form S-4 or S-8 or any similar or successor form) during any Lock-Up Period, to the extent reasonably requested by the managing underwriter (except for securities being sold by the Company for its own account under such Registration Statement).

Section 1.6 Registration Procedures.

(a) Obligations of the Company. Whenever registration of Registrable Securities is required pursuant to this Agreement, the Company shall use its commercially reasonable efforts to effect the registration and sale of such Registrable Securities in accordance with the intended method of distribution thereof as promptly as possible, and in connection with any such request, the Company shall, as expeditiously as possible:

(i) *Preparation of Registration Statement; Effectiveness*. Prepare and file with the SEC, a Registration Statement on any form on which the Company then qualifies, which counsel for the Company shall deem appropriate and pursuant to which such offering may be made in accordance with the intended method of distribution thereof (except that the Registration Statement shall contain such information as may reasonably be requested for marketing or other purposes by the managing underwriter), and use its commercially reasonable efforts to cause any registration required hereunder to become effective as soon as practicable after the initial filing thereof and remain effective for a period of not less than two hundred and ten (210) days (or such shorter period in which all Registrable Securities have been sold in accordance with the methods of distribution set forth in the Registration Statement); *provided, however,* that, in the case of any registration of Registrable Securities on Form S-3 which are intended to be offered on a continuous or delayed basis, such two hundred and ten (210) day period shall be extended, if necessary, to keep the Registration Statement effective until all such Registrable Securities are sold, provided that Rule 415, or any successor rule under the Securities Act, permits an offering on a continuous or delayed basis;

(ii) *Participation in Preparation*. Provide any Participating Holder holding more than ten percent (10%) of all Registrable Securities, any underwriter participating in any disposition pursuant to a Registration Statement, and any attorney, accountant or other agent retained by any such Participating Holder or underwriter (each, an "***Inspector***" and, collectively, the "***Inspectors***"), the opportunity to participate (including, but not limited to, reviewing, commenting on and attending all meetings) in the preparation of such Registration Statement, each prospectus included therein or filed with the SEC and each amendment or supplement thereto;

(iii) *Due Diligence*. For a reasonable period prior to the filing of any Registration Statement pursuant to this Agreement, make available for inspection and copying by

the Inspectors such financial and other information and books and records, pertinent corporate documents and properties of the Company and its subsidiaries and cause the officers, directors, employees, counsel and independent certified public accountants of the Company and its subsidiaries to respond to such inquiries and to supply all information reasonably requested by any such Inspector in connection with such Registration Statement, as shall be reasonably necessary, in the judgment of the respective counsel referred to in Section 1.6(a)(ii), to conduct a reasonable investigation within the meaning of the Securities Act; *provided*, *however*, that if requested by the Company, each Inspector shall enter into a confidentiality agreement with the Company prior to participating in the preparation of the Registration Statement or the Company's release or disclosure of confidential information to such Inspector;

(iv) *General Notifications*. Promptly notify in writing the Participating Holders, the sales or placement agent, if any, therefor and the managing underwriter of the securities being sold, (A) when such Registration Statement or the prospectus included therein or any prospectus amendment or supplement or post-effective amendment has been filed, and, with respect to any such Registration Statement or any post-effective amendment, when the same has become effective, (B) when the SEC notifies the Company whether there will be a "review" of such Registration Statement, (C) of any comments (oral or written) by the SEC and by the blue sky or securities commissioner or regulator of any state with respect thereto and (D) of any request by the SEC for any amendments or supplements to such Registration Statement or the prospectus or for additional information;

(v) *10b-5 Notification*. Promptly notify in writing the Participating Holders, the sales or placement agent, if any, therefor and the managing underwriter of the securities being sold pursuant to any Registration Statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act upon discovery that, or upon the happening of any event as a result of which, any prospectus included in such Registration Statement (or amendment or supplement thereto) contains an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances under which they were made, and the Company shall promptly prepare a supplement or amendment to such prospectus and file it with the SEC (in any event no later than ten (10) days following notice of the occurrence of such event to each Participating Holder, the sales or placement agent and the managing underwriter) so that after delivery of such prospectus, as so amended or supplemented, to the purchasers of such Registrable Securities, such prospectus, as so amended or supplemented, shall not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances under which they were made;

(vi) *Notification of Stop Orders; Suspensions of Qualifications and Exemptions*. Promptly notify in writing the Participating Holders, the sales or placement agent, if any, therefor and the managing underwriter of the securities being sold of the issuance by the SEC of (A) any stop order issued or threatened to be issued by the SEC or (B) any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose and the Company agrees to use its commercially reasonable efforts to (x) prevent the issuance of any such stop order, and in the event of such issuance, to obtain the

withdrawal of any such stop order and (y) obtain the withdrawal of any order suspending or preventing the use of any related prospectus or suspending the qualification of any Registrable Securities included in such Registration Statement for sale in any jurisdiction at the earliest practicable date;

(vii) *Amendments and Supplements.* Prepare and file with the SEC such amendments, including post-effective amendments to each Registration Statement as may be necessary to keep such Registration Statement continuously effective for the applicable time period required hereunder and if applicable, file any Registration Statements pursuant to Rule 462(b) under the Securities Act; cause the related prospectus to be supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 (or any similar provisions then in force) promulgated under the Securities Act; and comply with the provisions of the Securities Act and the Exchange Act with respect to the disposition of all securities covered by such Registration Statement during such period in accordance with the intended methods of disposition by the sellers thereof set forth in such Registration Statement as so amended or in such prospectus as so supplemented;

(viii) *Copies*. Furnish as promptly as practicable to each Participating Holder and Inspector prior to filing a Registration Statement or any supplement or amendment thereto, copies of such Registration Statement, supplement or amendment as it is proposed to be filed, and after such filing such number of copies of such Registration Statement, each amendment and supplement thereto (in each case including all exhibits thereto), the prospectus included in such Registration Statement (including each preliminary prospectus) and such other documents as each such Participating Holder or underwriter may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such Participating Holder;

(ix) *Blue Sky*. Use its commercially reasonable efforts to, prior to any public offering of the Registrable Securities, register or qualify (or seek an exemption from registration or qualifications) such Registrable Securities under such other securities or blue sky laws of such jurisdictions as any Participating Holder or underwriter may request, and to continue such qualification in effect in each such jurisdiction for as long as is permissible pursuant to the laws of such jurisdiction, or for as long as a Participating Holder or underwriter requests or until all of such Registrable Securities are sold, whichever is shortest, and do any and all other acts and things which may be reasonably necessary or advisable to enable any Participating Holder to consummate the disposition in such jurisdictions of the Registrable Securities; *provided, however*, that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent of process in any such states or jurisdictions or subject itself to material taxation in any such state or jurisdiction, but for this subparagraph;

(x) *Other Approvals*. Use its commercially reasonable efforts to obtain all other approvals, consents, exemptions or authorizations from such governmental agencies or authorities as may be necessary to enable the Participating Holders and underwriters to consummate the disposition of Registrable Securities;

(xi) *Agreements*. Enter into customary agreements (including any underwriting agreements in customary form), and take such other actions as may be reasonably required in order to expedite or facilitate the disposition of Registrable Securities;

(xii) "*Cold Comfort" Letter*. Obtain a "cold comfort" letter from the Company's independent public accountants in customary form and covering such matters of the type customarily covered by "cold comfort" letters as the managing underwriter may reasonably request;

(xiii) *Legal Opinion*. Furnish, at the request of any underwriter of Registrable Securities on the date such securities are delivered to the underwriters for sale pursuant to such registration, an opinion, dated such date, of counsel representing the Company for the purposes of such registration, addressed to the underwriter, covering such legal matters with respect to the registration in respect of which such opinion is being given as such underwriter may reasonably request and as are customarily included in such opinions;

(xiv) *SEC Compliance, Earnings Statement*. Use its commercially reasonable efforts to comply with all applicable rules and regulations of the SEC and make available to its securityholders, as soon as reasonably practicable, but no later than fifteen (15) months after the effective date of any Registration Statement, an earnings statement covering a period of twelve (12) months beginning after the effective date of such Registration Statement, in a manner which satisfies the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder;

(xv) *Certificates, Closing*. Provide customary officers' certificates and other customary closing documents;

(xvi) *FINRA*. Cooperate with each Participating Holder and each underwriter participating in the disposition of such Registrable Securities and underwriters' counsel in connection with any filings required to be made with the FINRA;

(xvii) *Road Show*. Cause appropriate officers as are requested by an managing underwriter to participate in a "road show" or similar marketing effort being conducted by such underwriter with respect to an underwritten public offering;

(xviii) *Listing*. Use commercially reasonable efforts to cause all such Registrable Securities to be listed on each securities exchange on which similar securities issued by the Company are then listed;

(xix) *Transfer Agent, Registrar and CUSIP*. Provide a transfer agent and registrar for all Registrable Securities registered pursuant hereto and a CUSIP number for all such Registrable Securities, in each case, no later than the effective date of such registration;

(xx) *Private Sales*. Use its commercially reasonable efforts to assist a Holder in facilitating private sales of Registrable Securities by, among other things, providing officers' certificates and other customary closing documents; and

(xxi) *Commercially Reasonable Efforts*. Use its commercially reasonable efforts to take all other actions necessary to effect the registration of the Registrable Securities contemplated hereby.

(b) Delay of Registration; Seller Information.

(i) *Delay of Registration*. No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Agreement.

(ii) *Seller Information*. The Company may require each Participating Holder as to which any registration of such Holder's Registrable Securities is being effected to furnish to the Company with such information regarding such Participating Holder and such Participating Holder's method of distribution of such Registrable Securities as the Company may from time to time reasonably request in writing. If a Participating Holder refuses to provide the Company with any of such information on the grounds that it is not necessary to include such information in the Registration Statement, the Company may exclude such Participating Holder's Registrable Securities from the Registration Statement. The exclusion of a Participating Holder's Registrable Securities shall not affect the registration of the other Registrable Securities to be included in the Registration Statement.

(c) Notice to Discontinue. Each Participating Holder whose Registrable Securities are covered by a Registration Statement filed pursuant to this Agreement agrees that, upon receipt of written notice from the Company of the happening of any event of the kind described in Section 1.6(a)(v), such Participating Holder shall forthwith discontinue the disposition of Registrable Securities until such Participating Holder's receipt of the copies of the supplemented or amended prospectus contemplated by Section 1.6(a)(v) or until it is advised in writing by the Company that the use of the prospectus may be resumed and has received copies of any additional or supplemental filings which are incorporated by reference into the prospectus (such period during which disposition is discontinued being an "***Interruption Period***"), and, if so directed by the Company in the case of an event described in Section 1.6(a)(v), such Participating Holder shall deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in such Participating Holder's possession, of the prospectus covering such Registrable Securities which is current at the time of receipt of such notice. If the Company shall give any such notice, the Company shall extend the period during which such Registration Statement is to be maintained effective by the number of days of the Interruption Period.

Section 1.7 Registration Expenses. Except as otherwise provided herein, all Registration Expenses shall be borne by the Company. All Selling Expenses relating to Registrable Securities registered shall be borne by the Participating Holders of such Registrable Securities pro rata on the basis of the number of securities on a fully diluted basis so registered.

Section 1.8 Indemnification.

(a) Indemnification by the Company. The Company agrees, notwithstanding termination of this Agreement, to indemnify and hold harmless to the fullest extent permitted by

law, each Holder, each of its directors, officers, employees, advisors, agents and general or limited partners (and the directors, officers, employees, advisors and agents thereof), their respective Affiliates and each Person who controls (within the meaning of the Securities Act or the Exchange Act) any of such Persons, and each underwriter and each Person who controls (within the meaning of the Securities Act or the Exchange Act) any underwriter (collectively, "***Holder Indemnified Parties***") from and against any and all losses, claims, damages, expenses (including, without limitation, reasonable costs of investigation and fees, disbursements and other charges of counsel, any amounts paid in settlement effected with the Company's consent, which consent shall not be unreasonably withheld or delayed and any costs incurred in enforcing the Company's indemnification obligations hereunder) or other liabilities (collectively, "***Losses***") to which any such Holder Indemnified Party may become subject under the Securities Act, Exchange Act, any other federal law, any state or common law or any rule or regulation promulgated thereunder or otherwise, insofar as such Losses (or actions or proceedings, whether commenced or threatened, in respect thereof) are resulting from or arising out of or based upon (i) any untrue, or alleged untrue, statement of a material fact contained in any Registration Statement, prospectus or preliminary prospectus (as amended or supplemented) or any document incorporated by reference in any of the foregoing or resulting from or arising out of or based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of a prospectus, in light of the circumstances under which they were made), not misleading or (ii) any violation by the Company of the Securities Act, Exchange Act, any other federal law, any state or common law or any rule or regulation promulgated thereunder or otherwise incident to any registration, qualification or compliance and in any such case, the Company will promptly reimburse each such Holder Indemnified Party for any legal and any other Losses reasonably incurred in connection with investigating, preparing or defending any such claim, loss, damage, liability, action or investigation or proceeding (collectively, a "***Claim***"); *provided*, *however*, that the Company shall not be liable to any Holder Indemnified Party for any Losses that arise out of or are based upon (x) written information provided by a Holder Indemnified Party expressly for use in the Registration Statement or (y) sales of Registrable Securities by a Holder Indemnified Party to a person to whom there was not sent or given, at or before the written confirmation of such sale, a copy of the prospectus (excluding documents incorporated by reference) or the prospectus as then amended or supplemented (excluding documents incorporated by reference) if the Company has previously furnished in a timely manner a reasonable number of copies thereof to such Holder Indemnified Party in compliance with this Agreement and the Losses of such Holder Indemnified Party results from an untrue statement or omission of a material fact contained in such preliminary prospectus which was corrected in the prospectus (or the prospectus as then amended or supplemented). Such indemnity obligation shall remain in full force and effect regardless of any investigation made by or on behalf of the Holder Indemnified Parties and shall survive the transfer of Registrable Securities by such Holder Indemnified Parties.

(b) Indemnification by Holders. In connection with any proposed registration in which a Holder is participating pursuant to this Agreement, each such Holder shall furnish to the Company in writing such information with respect to such Holder as the Company may reasonably request or as may be required by law for use in connection with any Registration Statement or prospectus or preliminary prospectus to be used in connection with such registration and each Holder agrees, severally and not jointly, to indemnify and hold harmless the Company, any underwriter retained by the Company and their respective directors, officers,

partners, employees, advisors and agents, their respective Affiliates and each Person who controls (within the meaning of the Securities Act or the Exchange Act) any of such Persons to the same extent as the foregoing indemnity from the Company to the Holders as set forth in Section 1.8(a) (subject to the exceptions set forth in the foregoing indemnity, the proviso to this sentence and applicable law), but only with respect to any such information furnished in writing by such Holder expressly for use therein; *provided*, *however*, that the liability of any Holder under this Section 1.8(b) shall be limited to the amount of the net proceeds received by such Holder in the offering giving rise to such liability. Such indemnity obligation shall remain in full force and effect regardless of any investigation made by or on behalf of the Holder Indemnified Parties (except as provided above) and shall survive the transfer of Registrable Securities by such Holder.

(c) Conduct of Indemnification Proceedings. Any Person entitled to indemnification hereunder (the "***Indemnified Party***") agrees to give prompt written notice to the indemnifying party (the "***Indemnifying Party***") after the receipt by the Indemnified Party of any written notice of the commencement of any action, suit, proceeding or investigation or threat thereof made in writing for which the Indemnified Party intends to claim indemnification or contribution pursuant to this Agreement; *provided*, *however*, that, the failure so to notify the Indemnifying Party shall not relieve the Indemnifying Party of any liability that it may have to the Indemnified Party hereunder unless and to the extent such Indemnifying Party is materially prejudiced by such failure. If notice of commencement of any such action is given to the Indemnifying Party as above provided, the Indemnifying Party shall be entitled to participate in and, to the extent it may wish, jointly with any other Indemnifying Party similarly notified, to assume the defense of such action at its own expense, with counsel chosen by it and reasonably satisfactory to such Indemnified Party. The Indemnified Party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be paid by the Indemnified Party unless (i) the Indemnifying Party agrees to pay the same, (ii) the Indemnifying Party fails to assume the defense of such action with counsel satisfactory to the Indemnified Party in its reasonable judgment or (iii) the named parties to any such action (including, but not limited to, any impleaded parties) reasonably believe that the representation of such Indemnified Party and the Indemnifying Party by the same counsel would be inappropriate under applicable standards of professional conduct. In the case of clause (ii) above and (iii) above, the Indemnifying Party shall not have the right to assume the defense of such action on behalf of such Indemnified Party. No Indemnifying Party shall be liable for any settlement entered into without its written consent, which consent shall not be unreasonably withheld. No Indemnifying Party shall, without the written consent of the Indemnified Party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the Indemnified Party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (A) includes an unconditional release of the Indemnified Party from all liability arising out of such action or claim and (B) does not include a statement as to, or an admission of, fault, culpability or a failure to act by or on behalf of any Indemnified Party. The rights afforded to any Indemnified Party hereunder shall be in addition to any rights that such Indemnified Party may have at common law, by separate agreement or otherwise.

(d) Contribution. If the indemnification provided for in this Section 1.8 from the Indemnifying Party is unavailable or insufficient to hold harmless an Indemnified Party in respect of any Losses referred to herein, then the Indemnifying Party, in lieu of indemnifying the Indemnified Party, shall contribute to the amount paid or payable by the Indemnified Party as a result of such Losses in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and the Indemnified Party, as well as any other relevant equitable considerations. The relative faults of the Indemnifying Party and Indemnified Party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact, was made by, or relates to information supplied by, such Indemnifying Party or Indemnified Party, and the Indemnifying Party's and Indemnified Party's relative intent, knowledge, access to information and opportunity to correct or prevent such action; *provided*, *however*, that the liability of any Holder under this Section 1.8(d) shall be limited to the amount of the net proceeds received by such Holder in the offering giving rise to such liability. The amount paid or payable by a party as a result of the Losses or other liabilities referred to above shall be deemed to include, subject to the limitations set forth in Sections 1.8(a), 1.8(b) and 1.8(c), any legal or other fees, charges or expenses reasonably incurred by such party in connection with any investigation or proceeding.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 1.8(d) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution pursuant to this Section 1.8(d).

Section 1.9 Certain Limitations on Registration Rights. No Holder may participate in any Registration Statement hereunder unless such Holder completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements, and other documents reasonably required under the terms of such underwriting arrangements and agrees to sell such Holder's Registrable Securities on the basis provided in any such underwriting agreement; *provided*, *however*, that no such Holder shall be required to make any representations or warranties to the Company or the underwriters in connection with any such registration other than representations and warranties as to (i) such Holder's ownership of its Registrable Securities to be sold or transferred, (ii) such Holder's power and authority to effect such transfer and (iii) such matters pertaining to compliance with securities laws as may be reasonably requested. Such Holders of Registrable Securities to be sold by such underwriters may, at their option, require that any or all of the representations and warranties by, and the other agreements on the part of the Company to and for the benefit of such underwriters, shall also be made to and for the benefit of such Holders and that any or all of the conditions precedent to the obligations of the underwriters under the underwriting agreement be conditions precedent to the obligations of the Holders; *provided*, *however*, that this requirement shall not apply to piggyback registrations as set forth in Section 1.4 hereof.

Section 1.10 Limitations on Subsequent Registration Rights. The Company represents and warrants that, except as set forth in this Agreement, it has not granted registration rights with respect to any of the Company's presently outstanding securities or any of its

securities that may hereafter be issued and agrees that from and after the date of this Agreement, it shall not, without the prior written consent of the Holders of at least a majority of the Registrable Securities then outstanding on a fully diluted basis, enter into any agreement (or amendment or waiver of the provisions of any agreement) with any holder or prospective holder of any securities of the Company that would grant such holder registration rights that are more favorable or senior to those granted to the Holders hereunder.

Section 1.11 Transfer of Registration Rights. The rights of a Holder hereunder may be transferred or assigned in connection with a transfer of Registrable Securities to (i) any Affiliate of a Holder, (ii) any subsidiary, parent, partner, retired partner, limited partner, shareholder or member of a Holder or (iii) any family member or trust for the benefit of any Holder, or (iv) any transferee who, after such transfer, holds at least one percent (1%) of the Registrable Securities on a fully diluted basis (as adjusted for any stock dividends, stock splits, combinations and reorganizations and similar events). Notwithstanding the foregoing, such rights may only be transferred or assigned provided that all of the following additional conditions are satisfied: (a) such transfer or assignment is effected in accordance with applicable securities laws; (b) such transferee or assignee agrees in writing to become subject to the terms of this Agreement as a Securityholder; and (c) the Company is given written notice by such Holder of such transfer or assignment, stating the name and address of the transferee or assignee and identifying the Registrable Securities with respect to which such rights are being transferred or assigned.

Section 1.12 Termination of Registration Rights. The rights contained in Sections 1.2, 1.3, and 1.9 hereof shall terminate at the earlier of (a) the date on which all of the Registrable Securities have been sold pursuant to a registered offering or (b) as to any Holder, at any time following an IPO, the date on which all Registrable Securities of such Holder may be sold without volume and manner of sale limitations under the Securities Act pursuant to Rule 144.

ARTICLE II.

GENERAL PROVISIONS

Section 2.1 Survival of Agreements. All covenants, agreements, representations and warranties made in this Agreement shall survive the execution and delivery of this Agreement, the issuance, sale and delivery of the Initial Securities.

Section 2.2 Entire Agreement. This Agreement, together with the Schedules hereto and any certificates, documents, instruments and writings that are delivered pursuant hereto, constitutes the entire agreement and understanding of the parties in respect of the subject matter hereof and supersedes all prior understandings, agreements or representations by or among the parties, written or oral, to the extent they relate in any way to the subject matter hereof.

Section 2.3 Assignment; Binding Effect. Subject to Section 1.11, no party may assign either this Agreement or any of its rights, interests or obligations hereunder without the prior written approval of the other parties; *provided, however*, that each Securityholder may (a) assign any or all of its rights and interests hereunder to one or more of its Affiliates and (b)

designate one or more of its Affiliates to perform its obligations hereunder (in any or all of which cases such Securityholder nonetheless will remain responsible for the performance of all of its obligations hereunder). All of the terms, agreements, covenants, representations, warranties and conditions of this Agreement are binding upon, and inure to the benefit of and are enforceable by, the parties and their respective successors and permitted assigns.

Section 2.4 Notices. All notices, requests and other communications provided for or permitted to be given under this Agreement must be in writing and shall be given by personal delivery, by certified or registered United States mail (postage prepaid, return receipt requested), by a nationally recognized overnight delivery service for next day delivery, or by facsimile transmission, as follows (or to such other address as any party may give in a notice given in accordance with the provisions hereof):

If to a Securityholder:
In accordance with the contact information set forth on Schedule I attached hereto.

If to the Company:
MagnaChip Semiconductor LLC
c/o MagnaChip Semiconductor Ltd.
891 Daechi-dong, Gangnam-gu
Seoul 135-738 Korea
Attn: General Counsel
Fax: 82-2-6903-3898

All notices, requests or other communications will be effective and deemed given only as follows: (i) if given by personal delivery, upon such personal delivery, (ii) if sent by certified or registered mail, on the fifth business day after being deposited in the United States mail, (iii) if sent for next day delivery by overnight delivery service, on the date of delivery as confirmed by written confirmation of delivery, (iv) if sent by facsimile, upon the transmitter's confirmation of receipt of such facsimile transmission, except that if such confirmation is received after 5:00 p.m. (in the recipient's time zone) on a business day, or is received on a day that is not a business day, then such notice, request or communication will not be deemed effective or given until the next succeeding business day. Notices, requests and other communications sent in any other manner, including by electronic mail, will not be effective.

Section 2.5 Specific Performance; Remedies. Each party acknowledges and agrees that the other parties would be damaged irreparably if any provision of this Agreement were not performed in accordance with its specific terms or were otherwise breached. Accordingly, the parties will be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and its provisions in any action or proceeding instituted in any court of the United States or any state thereof having jurisdiction over the parties and the matter, subject to Section 2.6 and Section 2.7, in addition to any other remedy to which they may be entitled, at law or in equity. Except as expressly provided herein, the rights, obligations and remedies created by this Agreement are cumulative and in addition to

any other rights, obligations or remedies otherwise available at law or in equity. Except as expressly provided herein, nothing herein will be considered an election of remedies.

Section 2.6 Submission to Jurisdiction; Waiver of Jury Trial.

(a) Submission to Jurisdiction. Any action, suit or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby shall only be brought in any federal court located in the State of New York or any New York state court, and each party consents to the exclusive jurisdiction and venue of such courts (and of the appropriate appellate courts therefrom) in any such action, suit or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such, action, suit or proceeding in any such court or that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum. Process in any such action, suit or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, service of process on such party as provided in Section 2.4 shall be deemed effective service of process on such party.

(b) Waiver of Jury Trial. EACH PARTY ACKNOWLEDGES THAT ANY DISPUTE THAT MAY ARISE OUT OF OR RELATING TO THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE SUCH PARTY HEREBY EXPRESSLY WAIVES ITS RIGHT TO JURY TRIAL OF ANY DISPUTE BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OTHER AGREEMENTS RELATING HERETO OR ANY DEALINGS AMONG THEM RELATING TO THE TRANSACTIONS CONTEMPLATED HEREBY. THE SCOPE OF THIS WAIVER IS INTENDED TO ENCOMPASS ANY AND ALL ACTIONS, SUITS AND PROCEEDINGS THAT RELATE TO THE SUBJECT MATTER OF THE TRANSACTIONS CONTEMPLATED HEREBY, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. EACH PARTY REPRESENTS THAT (i) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT IN THE EVENT OF ANY ACTION, SUIT OR PROCEEDING, SEEK TO ENFORCE THE FOREGOING WAIVER, (ii) SUCH PARTY UNDERSTANDS AND WITH THE ADVICE OF COUNSEL HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (iii) SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (iv) SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND REPRESENTATIONS IN THIS SECTION 2.6(b).

Section 2.7 Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of New York, without giving effect to any choice of law principles.

Section 2.8 Headings. The article and section headings contained in this Agreement are inserted for convenience only and will not affect in any way the meaning or interpretation of this Agreement.

Section 2.9 Amendments. Other than with respect to amendments to Schedule I hereto, which may be amended by the Company to reflect additional Securityholders or permitted transfers, this Agreement may not be amended or modified without the written consent of the Company and the Securityholders holding at least a majority of the Registrable Securities then outstanding on a fully diluted basis.

Section 2.10 Extensions; Waivers. Any party may, for itself only, (a) extend the time for the performance of any of the obligations of any other party under this Agreement, (b) waive any inaccuracies in the representations and warranties of any other party contained herein or in any document delivered pursuant hereto and (c) waive compliance with any of the agreements or conditions for the benefit of such party contained herein. Any such extension or waiver will be valid only if set forth in a writing signed by the party to be bound thereby. No waiver by any party of any default, misrepresentation or breach of warranty or covenant hereunder, whether intentional or not, may be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder or affect in any way any rights arising because of any prior or subsequent such occurrence. Neither the failure nor any delay on the part of any party to exercise any right or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy preclude any other or further exercise of the same or of any other right or remedy.

Section 2.11 Severability. The provisions of this Agreement will be deemed severable and the invalidity or unenforceability of any provision will not affect the validity or enforceability of the other provisions hereof; provided, that if any provision of this Agreement, as applied to any party or to any circumstance, is judicially determined not to be enforceable in accordance with its terms, the parties agree that the court judicially making such determination may modify the provision in a manner consistent with its objectives such that it is enforceable, and/or to delete specific words or phrases, and in its modified form, such provision will then be enforceable and will be enforced.

Section 2.12 Counterparts; Effectiveness. This Agreement may be executed in two or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same instrument. This Agreement will become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties. For purposes of determining whether a party has signed this Agreement or any document contemplated hereby or any amendment or waiver hereof, only a handwritten original signature on a paper document or a facsimile copy of such a handwritten original signature shall constitute a signature, notwithstanding any law relating to or enabling the creation, execution or delivery of any contract or signature by electronic means.

Section 2.13 Construction. This Agreement has been freely and fairly negotiated among the parties. If an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the parties and no presumption or burden of proof will arise favoring or disfavoring any party because of the authorship of any provision of this Agreement. Any reference to any law will be deemed to refer to such law as in effect on the date hereof and all rules and regulations promulgated thereunder, unless the context requires otherwise. The words “include,” “includes,” and “including” will be deemed to be followed by “without limitation.” Pronouns in masculine, feminine, and neuter genders will be construed to

include any other gender, and words in the singular form will be construed to include the plural and vice versa, unless the context otherwise requires. The words "this Agreement," "herein," "hereof," "hereby," "hereunder," and words of similar import refer to this Agreement as a whole and not to any particular subdivision unless expressly so limited. The parties intend that each representation, warranty, and covenant contained herein will have independent significance. If any party has breached any covenant contained herein in any respect, the fact that there exists another covenant relating to the same subject matter (regardless of the relative levels of specificity) which the party has not breached will not detract from or mitigate the fact that the party is in breach of the first covenant.

Section 2.14 Adjustments for Stock Splits, Etc. Wherever in this Agreement there is a reference to a specific number of the Company's securities, then, upon the occurrence of any subdivision, combination or stock dividend of such securities, the specific number of securities so referenced in this Agreement will automatically be proportionally adjusted to reflect the effect of such subdivision, combination or stock dividend on the outstanding securities of such class or series.

Section 2.15 Aggregation of Stock. All securities owned or acquired by any Securityholder or its Affiliated entities or persons (assuming full conversion, exchange and exercise of all convertible, exchangeable and exercisable securities into Common Stock) shall be aggregated together for the purpose of determining the availability of any right under this Agreement.

Section 2.16 Further Assurances. The Company and the Holders each agree to take such actions and execute and deliver such other documents or agreements as may be reasonably necessary or desirable for the implementation of this Agreement and the consummation of the transactions contemplated hereby.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

COMPANY:

MAGNACHIP SEMICONDUCTOR LLC

By: _____
Name:
Title:

SECURITYHOLDERS:

AVENUE INTERNATIONAL MASTER, L.P.
By: Avenue International Master GenPar, Ltd., its General Partner

Name:
Title:

AVENUE INVESTMENTS, L.P.
By: Avenue Partners, LLC, its General Partner

Name:
Title:

AVENUE SPECIAL SITUATIONS FUND V, L.P.
By: Avenue Capital Partners V, LLC, its General Partner
By: GL Partners V, LLC, its Managing Member

Name:
Title:

AVENUE SPECIAL SITUATIONS FUND IV, L.P.
By: Avenue Capital Partners IV, LLC, General Partner
By: GL Partners IV, LLC, its Managing Member

Name:
Title:

AVENUE-CDP GLOBAL OPPORTUNITIES FUND, L.P.
By: Avenue Global Opportunities Fund GenPar, LLC, its General Partner

Name:
Title:

Exhibit 10.1

AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of November 6, 2009,

among

MAGNACHIP SEMICONDUCTOR S.A.
and
MAGNACHIP SEMICONDUCTOR FINANCE COMPANY
as Borrowers,

MAGNACHIP SEMICONDUCTOR LLC
and
THE OTHER GUARANTORS PARTY HERETO,
as Guarantors,

THE LENDERS PARTY HERETO

and

WILMINGTON TRUST FSB,
as Administrative Agent,

TABLE OF CONTENTS

EXHIBITS

AMENDED AND RESTATED CREDIT AGREEMENT

This AMENDED AND RESTATED CREDIT AGREEMENT (this "**Agreement**"), dated as of November 6, 2009, among MAGNACHIP SEMICONDUCTOR S.A., a *société anonyme*, organized and existing under the laws of the Grand Duchy of Luxembourg, having its registered office at 74, rue de Merl, L - - 2146 Luxembourg, Grand Duchy of Luxembourg, registered with the Luxembourg Register of commerce and companies under the number B 97,483, MAGNACHIP SEMICONDUCTOR FINANCE COMPANY, a Delaware corporation (collectively, "**Borrowers**"), MAGNACHIP SEMICONDUCTOR LLC, a Delaware limited liability company ("**Holdings**"), the Subsidiary Guarantors listed on the signature pages hereto (such term and each other capitalized term used but not defined herein having the meaning given to it in Article I), the Lenders, Wilmington Trust FSB, as administrative agent (in such capacity, "**Administrative Agent**") for the Lenders and as collateral agent (in such capacity, "**Collateral Agent**") for the Secured Parties.

WITNESSETH:

WHEREAS, Holdings, the Borrowers, the subsidiary guarantors party thereto, UBS AG, Stamford Branch, as administrative agent and as collateral agent, UBS Securities LLC, as lead arranger, as documentation agent and as syndication agent, UBS Loan Finance LLC, as swingline lender and Korea Exchange Bank, as issuing bank, are parties to that certain Credit Agreement, dated as of December 23, 2004 (as amended, restated, supplemented or otherwise modified from time to time prior to the date hereof, the "**Pre-Petition Credit Agreement**").

WHEREAS, on June 12, 2009 ("**Petition Date**"), Holdings, the Borrowers and certain of the Subsidiary Guarantors, as debtors and debtors-in-possession (the "**Debtors**"), commenced voluntary cases under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the "**Bankruptcy Court**"), which cases are being jointly administered (the "**Chapter 11 Case**").

WHEREAS, the Plan of Reorganization of the Debtors, dated September 24, 2009, in the form filed with the Bankruptcy Court and any amendments, supplements or modifications thereto (the "**Plan of Reorganization**") has been confirmed pursuant to the Confirmation Order, and concurrently with the effectiveness of this Agreement, the effective date with respect to such Plan of Reorganization has occurred.

WHEREAS, in connection with the Plan of Reorganization, it has been agreed by the parties hereto to amend and restate the Pre-Petition Credit Agreement to (i) terminate any unused commitments thereunder, (ii) reduce the outstanding principal amount thereunder to $61,750,000, (iii) to redenominate the outstanding revolving loans as outstanding Term Loans, and (iv) provide that the "Loans" outstanding as of the Effective Date and other "Obligations" under and as defined in the Pre-Petition Credit Agreement (including indemnities) shall be governed by and deemed to be outstanding under this Agreement with the intent that the terms of this Agreement shall supersede the terms of the Pre-Petition Credit Agreement, and all references to the Pre-Petition Credit Agreement herein or in any Loan Document or other document or instrument delivered in connection herewith or therewith shall be deemed to refer to this Agreement and the provisions hereof.

NOW, THEREFORE, the Lenders are willing to extend such credit to Borrowers on the terms and subject to the conditions set forth herein. Accordingly, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01 Defined Terms. As used in this Agreement, the following terms shall have the meanings specified below:

"**ABR**", when used in reference to any Loan or Borrowing, is used when such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"**ABR Borrowing**" shall mean a Borrowing comprised of ABR Loans.

"**ABR Loan**" shall mean any Loan bearing interest at a rate determined by reference to the Alternate Base Rate in accordance with the provisions of Article II.

"**Acquisition Consideration**" shall mean the purchase consideration for any Permitted Acquisition and all other payments by Holdings or any of its Subsidiaries in exchange for, or as part of, or in connection with, any Permitted Acquisition, whether paid in cash or by exchange of Equity Interests or of properties or otherwise and whether payable at or prior to the consummation of such Permitted Acquisition or deferred for payment at any future time, whether or not any such future payment is subject to the occurrence of any contingency, and includes any and all payments representing the purchase price and any assumptions of Indebtedness, "earn-outs" and other agreements to make any payment the amount of which is, or the terms of payment of which are, in any respect subject to or contingent upon the revenues, income, cash flow or profits (or the like) of any person or business; *provided* that any such future payment that is subject to a contingency shall be considered Acquisition Consideration only to the extent of the reserve, if any, required under GAAP at the time of such sale to be established in respect thereof by Holdings or any of its Subsidiaries.

"**Adjusted LIBOR Rate**" shall mean, with respect to any Eurodollar Borrowing for any Interest Period, (a) an interest rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) determined by the Administrative Agent to be equal to the LIBOR Rate for such Eurodollar Borrowing in effect for such Interest Period divided by (b) 1 *minus* the Statutory Reserves (if any) for such Eurodollar Borrowing for such Interest Period.

"**Administrative Agent**" shall have the meaning assigned to such term in the preamble hereto and includes each other person appointed as the successor pursuant to Article X.

"**Administrative Agent Fees**" shall have the meaning assigned to such term in Section 2.05(a).

"**Administrative Questionnaire**" shall mean an Administrative Questionnaire in substantially the form of Exhibit A.

"**Affiliate**" shall mean, when used with respect to a specified person, another person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the person specified; *provided*, *however*, that, for purposes of Section 6.09, the term "Affiliate" shall also include (i) any person that directly or indirectly owns more than 10% of any class of Equity Interests of the person specified or (ii) any person that is an executive officer or director of the person specified.

"**Agents**" shall mean the Administrative Agent and the Collateral Agent; and "**Agent**" shall mean any of them.

"**Agreement**" shall have the meaning assigned to such term in the preamble hereto.

"**Alternate Base Rate**" shall mean, for any day, a rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) equal to the greater of (a) the Base Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day *plus* 0.50%. If the Administrative Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Federal Funds Effective Rate for any reason, including the inability or failure of the Administrative Agent to obtain sufficient quotations in accordance with the terms of the definition thereof, the Alternate Base Rate shall be determined without regard to clause (b) of the preceding sentence until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Base Rate or the Federal Funds Effective Rate shall be effective on the effective date of such change in the Base Rate or the Federal Funds Effective Rate, respectively.

"**Anti-Terrorism Laws**" shall have the meaning assigned to such term in Section 3.21.

"**Applicable Margin**" shall mean, for any day, (i) with respect to any Eurodollar Loan, 12.00% per annum and (ii) with respect to any ABR Loan, 11.00% per annum.

"**Approved Fund**" shall mean any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"**Asset Sale**" shall mean (a) any conveyance, sale, assignment, transfer or other disposition (including by way of merger or consolidation, any lease, sublease, license or sublicense that is in effect a disposition and any Sale and Leaseback Transaction) of any property excluding sales of inventory, dispositions of cash equivalents and Intellectual Property licenses, in each case, in the ordinary course of business, by Holdings or any of its Subsidiaries and (b) any issuance or sale of any Equity Interests of any Subsidiary of Holdings, in each case, to any person other than (i) any Borrower or (ii) any Subsidiary Guarantor.

"**Assignment and Assumption**" shall mean an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 10.04(b)), and accepted by the Administrative Agent, in substantially the form of Exhibit B, or any other form approved by the Administrative Agent.

"**Attributable Indebtedness**" shall mean, when used with respect to any Sale and Leaseback Transaction, as at the time of determination, the present value (discounted at a rate equivalent to Borrowers' then-current weighted average cost of funds for borrowed money as at the time of determination, compounded on a semi-annual basis) of the total obligations of the lessee for rental payments during the remaining term of the lease included in any such Sale and Leaseback Transaction.

"**Bankruptcy Code**" means the United States Bankruptcy Code, being Title 11 of the United States Code (11 U.S.C. Sections 101-1330), as the same may be amended, modified, recodified or supplemented, together with all official rules and regulations thereunder.

"**Bankruptcy Court**" shall have the meanings set forth in the recitals hereto.

"**Base Rate**" shall mean, for any day, a rate per annum that is equal to the corporate base rate of interest determined by the Administrative Agent from time to time; each change in the Base Rate shall be effective on the date such change is effective. The corporate base rate is not necessarily the lowest rate charged by the Administrative Agent to its customers.

"**Board**" shall mean the Board of Governors of the Federal Reserve System of the United States.

"**Board of Directors**" shall mean, with respect to any person, (i) in the case of any corporation, the board of directors of such person; (ii) in the case of any limited liability company, the board of managers of such person; (iii) in the case of any partnership, the Board of Directors of the general partner of such person; and (iv) in any other case, the functional equivalent of the foregoing.

"**Borrowers**" shall have the meaning assigned to such term in the preamble hereto.

"**Borrowing**" shall mean Loans of the same Class and Type, made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect.

"**Borrowing Request**" shall mean a request by any Borrower in accordance with the terms of Section 2.03 and substantially in the form of Exhibit C, or such other form as shall be approved by the Administrative Agent.

"**Business Day**" shall mean any day other than a Saturday, Sunday or other day on which banks in New York City are authorized or required by law to close; *provided*, *however*, that when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"**Capital Expenditures**" shall mean, for any period, without duplication, the increase during that period in the gross property, plant or equipment account in the consolidated balance sheet of Holdings and its Subsidiaries, determined in accordance with GAAP, whether such increase is due to purchase of properties for cash or financed by the incurrence of Indebtedness, but excluding any portion of such increase attributable solely to acquisitions of property, plant and equipment in Permitted Acquisitions.

"**Capital Lease Obligations**" of any person shall mean the obligations of such person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"**Cash Equivalents**" shall mean, as to any person, (a) Dollars, Korean Won, Pound Sterling, Hong Kong dollars, New Taiwan dollars, Euros and Japanese Yen; (b) securities issued or directly and fully guaranteed or insured by the United States government, Korean government, EU member states with a sovereign credit rating of A or better, the Japanese government, the Taiwan government, the Hong Kong government, or any agency or instrumentality of any such government (provided that the full faith and credit of any such government is pledged in support of those securities) having maturities of not more than one year from the date of acquisition; (c) Dollar denominated and Korean Won denominated certificates of deposit, eurodollar time deposits and other similar instruments in

the United States, Hong Kong, Taiwan and Japan with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding one year and overnight bank deposits, in each case, with any Lender or with any domestic commercial bank having capital and surplus in excess of $500.0 million and a Thomson Bank Watch Rating of "B" or better or comparable rating by a comparable rating agency in the relevant jurisdiction if a Moody's or S&P rating is unavailable; (d) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (b) and (c) above entered into with any financial institution meeting the qualifications specified in clause (c) above; (e) commercial paper having one of the three highest ratings obtainable from S&P and one of the two highest ratings obtainable from Moody's or comparable rating by a comparable rating agency in the relevant jurisdiction if a Moody's or S&P rating is unavailable and, in each case, maturing within one year after the date of acquisition; and (f) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (a) through (e) of this definition.

"**Cash Interest Expense**" shall mean, for any period, Consolidated Interest Expense for such period, *less* the sum of (a) interest on any debt paid by the increase in the principal amount of such debt including by issuance of additional debt of such kind; (b) items described in clause (c) or, other than to the extent paid in cash, clause (g) of the definition of "Consolidated Interest Expense;" and (c) gross interest income of Holdings and its Subsidiaries for such period.

"**Casualty Event**" shall mean any loss of title or any loss of or damage to or destruction of, or any condemnation or other taking (including by any Governmental Authority) of, any property of Holdings or any of its Subsidiaries. "Casualty Event" shall include but not be limited to any taking of all or any part of any Real Property of any person or any part thereof, in or by condemnation or other eminent domain proceedings pursuant to any Requirement of Law, or by reason of the temporary requisition of the use or occupancy of all or any part of any Real Property of any person or any part thereof by any Governmental Authority, civil or military, or any settlement in lieu thereof.

"**CERCLA**" shall mean the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. § 9601 *et seq.* and any implementing regulations.

A "**Change in Control**" shall be deemed to have occurred if:

(a) Holdings at any time ceases to own 99% of the Equity Interests of Lux Borrower, 100% of the Equity Interests of the U.S. Sales Subsidiary or 100% of the Equity Interests of MagnaChip SA Holdings;

(b) MagnaChip SA Holdings ceases to own 1% of the Equity Interests of Lux Borrower;

(c) Lux Borrower ceases to own 100% of the Equity Interests of each of Dutch Holdco, MagnaChip Semiconductor Finance Company or any Foreign Sales Subsidiary;

(d) Dutch Holdco ceases to own 100% of the Equity Interests of Korean Opco;

(e) at any time a change of control occurs under any Material Indebtedness;

(f) prior to an IPO, (i) the Permitted Holders cease to own, or to have the power to vote or direct the voting of, Voting Stock of Holdings representing a majority of the voting power of the total outstanding Voting Stock of Holdings or (ii) the Permitted Holders cease to own

Equity Interests representing a majority of the total economic interests of the Equity Interests of Holdings;

(g) following an IPO, (i) the Permitted Holders shall fail to own, or to have the power to vote or direct the voting of, Voting Stock of Holdings representing more than 25% of the voting power of the total outstanding Voting Stock of Holdings, (ii) the Permitted Holders cease to own Equity Interests representing more than 25% of the total economic interests of the Equity Interests of Holdings or (iii) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), other than one or more Permitted Holders, is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that for purposes of this clause such person or group shall be deemed to have "beneficial ownership" of all securities that such person or group has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of Voting Stock of Holdings representing more than 25% of the voting power of the total outstanding Voting Stock of Holdings; or

(h) following an IPO, during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of Holdings (together with any new directors whose election to such Board of Directors or whose nomination for election was approved by a vote of a majority of the members of the Board of Directors of Holdings, which members comprising such majority are then still in office and were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of Holdings.

For purposes of this definition, a person shall not be deemed to have beneficial ownership of Equity Interests subject to a stock purchase agreement, merger agreement or similar agreement until the consummation of the transactions contemplated by such agreement.

"**Change in Law**" shall mean the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking into effect of any law, treaty, order, policy, rule or regulation, (b) any change in any law, treaty, order, policy, rule or regulation or in the administration, interpretation or application thereof by any Governmental Authority or (c) the making or issuance of any request, guideline or directive (whether or not having the force of law) by any Governmental Authority.

"**Chapter 11 Case**" shall have the meaning set forth in the recitals hereto.

"**Charges**" shall have the meaning assigned to such term in Section 10.15.

"**Class**," when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Term Loans or Incremental Loans, in each case, under this Agreement, as originally in effect or pursuant to Section 2.18, of which such Loan or Borrowing shall be a part.

"**Clearing House**" shall mean the means the Seoul Clearing House, an institution appointed by the Minster of the Ministry of Justice of Korea pursuant to Article 83 of the Bills of Exchange and Promissory Notes Law of Korea and Article 69 of the Cheques Law of Korea and operated by the Korea Financial Telecommunications and Clearing Institute for settlement activities by way of exchange of bills of exchange, promissory notes and cheques in Korea.

"**Closing Date**" shall mean December 23, 2004.

"**Code**" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"**Collateral**" shall mean, collectively, all of the Security Agreement Collateral, the Mortgaged Property and all other property wherever situate of whatever kind and nature subject or purported to be subject from time to time to a Lien under any Security Document.

"**Collateral Agent**" shall have the meaning assigned to such term in the preamble hereto.

"**Collateral Trust Agreement**" shall mean that certain Amended and Restated Collateral Trust Agreement dated as of the date hereof by and among the Administrative Agent, the Collateral Agent, the Senior Secured Notes Trustee, Korean Opco and the Collateral Trustee.

"**Collateral Trustee**" shall mean US Bank National Association, its successors and assigns.

"**Collateral Trust Documents**" shall mean the Collateral Trust Agreement and all other documents executed and delivered in connection therewith relating to the granting of liens or the issuance of guarantees by Korean Opco.

"**Commitment**" shall mean, from the date on which any Incremental Loan Commitment shall have become effective pursuant to Section 2.18, with respect to any Lender, such Lender's Incremental Loan Commitment, if any, as the same may be reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 10.04.

"**Companies**" shall mean Holdings and its Subsidiaries; and "**Company**" shall mean any one of them.

"**Compliance Certificate**" shall mean a certificate of a Financial Officer substantially in the form of Exhibit D.

"**Confirmation Order**" means the Findings of Fact, Conclusions of Law, and Order Confirming the Loan Parties' Plan of Reorganization issued by the Bankruptcy Court and entered on September 25, 2009 in the Chapter 11 Case.

"**Consolidated Amortization Expense**" shall mean, for any period, the amortization expense of Holdings and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

"**Consolidated Depreciation Expense**" shall mean, for any period, the depreciation expense of Holdings and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

"**Consolidated EBITDA**" shall mean, for any period, Consolidated Net Income for such period, adjusted by (x) *adding thereto*, in each case only to the extent (and in the same proportion) deducted in determining such Consolidated Net Income (and with respect to the portion of Consolidated Net Income attributable to any Subsidiary of Holdings only if a corresponding amount would be permitted at the date of determination to be distributed to a Borrower by such Subsidiary without prior

approval (that has not been obtained), pursuant to the terms of its Organizational Documents and all agreements, instruments and Requirements of Law applicable to such Subsidiary or its equityholders):

(a) Consolidated Interest Expense for such period;

(b) Consolidated Amortization Expense for such period;

(c) Consolidated Depreciation Expense for such period;

(d) Consolidated Tax Expense for such period plus the amount of any Permitted Tax Distributions made by Holdings pursuant to Section 6.08(c);

(e) costs and expenses directly incurred in connection with the Chapter 11 Case and the Transactions; and

(f) the aggregate amount of all other non-cash charges reducing Consolidated Net Income (excluding any non-cash charge that results in an accrual of a reserve for cash charges in any future period) for such period; and

(y) *subtracting therefrom* the aggregate amount of all non-cash items increasing Consolidated Net Income (other than the accrual of revenue or recording of receivables in the ordinary course of business) for such period. For the avoidance of doubt, Consolidated EBITDA for any period shall not include any Cure Amount received by Holdings in any period. Notwithstanding anything to the contrary in the foregoing, for purposes of calculating Consolidated EBITDA for any period that includes any of the fiscal quarters ended March 29, 2009, June 28, 2009 or September 27, 2009, Consolidated EBITDA for such fiscal quarters shall be deemed to be $2,290,000, $29,010,000 and $31,820,000, respectively, subject, in each case, to normal year-end audit adjustments.

Consolidated EBITDA shall be calculated on a Pro Forma Basis to give effect to any Permitted Acquisition and Asset Sales (other than any dispositions in the ordinary course of business) consummated at any time on or after the first day of the Test Period thereof as if each such Permitted Acquisition had been effected on the first day of such period and as if each such Asset Sale had been consummated on the day prior to the first day of such period.

"**Consolidated Indebtedness**" shall mean, as at any date of determination, the aggregate amount of all Indebtedness of Holdings and its Subsidiaries, determined on a consolidated basis in accordance with GAAP.

"**Consolidated Interest Expense**" shall mean, for any period, the total consolidated interest expense of Holdings and its Subsidiaries for such period determined on a consolidated basis in accordance with GAAP *plus*, without duplication:

(a) imputed interest on Capital Lease Obligations and Attributable Indebtedness of Holdings and its Subsidiaries for such period;

(b) commissions, discounts and other fees and charges owed by Holdings or any of its Subsidiaries with respect to letters of credit securing financial obligations, bankers' acceptance financing and receivables financings for such period;

(c) amortization of debt issuance costs, debt discount or premium and other financing fees and expenses incurred by any Borrower or any of its Subsidiaries for such period;

(d) cash contributions to any employee stock ownership plan or similar trust made by Holdings or any of its Subsidiaries to the extent such contributions are used by such plan or trust to pay interest or fees to any person (other than any Borrower or a Wholly Owned Subsidiary) in connection with Indebtedness incurred by such plan or trust for such period;

(e) all interest paid or payable with respect to discontinued operations of Holdings or any of its Subsidiaries for such period;

(f) the interest portion of any deferred payment obligations of Holdings or any of its Subsidiaries for such period;

(g) all interest on any Indebtedness of Holdings or any of its Subsidiaries of the type described in clause (f) or (k) of the definition of "Indebtedness" for such period;

provided that (a) to the extent directly related to the Transactions, debt issuance costs, debt discount or premium and other financing fees and expenses shall be excluded from the calculation of Consolidated Interest Expense and (b) Consolidated Interest Expense shall be calculated after giving effect to Hedging Agreements (including associated costs), but excluding unrealized gains and losses with respect to Hedging Agreements.

Consolidated Interest Expense shall be calculated on a Pro Forma Basis to give effect to any Indebtedness incurred, assumed or permanently repaid or extinguished during the relevant Test Period in connection with any Permitted Acquisitions and Asset Sales (other than any dispositions in the ordinary course of business) as if such incurrence, assumption, repayment or extinguishing had been effected on the first day of such period.

"**Consolidated Net Income**" shall mean, for any period, the consolidated net income (or loss) of Holdings and its Subsidiaries determined on a consolidated basis in accordance with GAAP; *provided* that there shall be excluded from such net income (to the extent otherwise included therein), without duplication:

(a) the net income (or loss) of any person (other than a Subsidiary of Holdings) in which any person other than Holdings or any of its Subsidiaries has an ownership interest, except to the extent that cash in an amount equal to any such income has actually been received by such Borrower or (subject to clause (b) below) such Subsidiary during such period;

(b) the net income of any Subsidiary of Holdings during such period to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary of that income is not permitted by operation of the terms of its Organizational Documents or any agreement, instrument or Requirement of Law applicable to that Subsidiary during such period, except that Borrowers' equity in net loss of any such Subsidiary for such period shall be included in determining Consolidated Net Income;

(c) any gain (or loss), together with any related provisions for taxes on any such gain (or the tax effect of any such loss), realized during such period by Holdings or any of its Subsidiaries upon any Asset Sale (other than any dispositions in the ordinary course of business) by any Borrower or any of its Subsidiaries;

(d) gains and losses due solely to fluctuations in currency values and the related tax effects determined in accordance with GAAP for such period;

(e) unrealized gains and losses with respect to Hedging Obligations for such period;

(f) any extraordinary gain (or extraordinary loss), together with any related provision for taxes on any such gain (or the tax effect of any such loss), recorded or recognized by Holdings or any of its Subsidiaries during such period; and

For purposes of this definition of "Consolidated Net Income," Consolidated Net Income shall be reduced (to the extent not already reduced thereby) by the amount of any Permitted Tax Distributions made by Holdings pursuant to Section 6.08(c).

"**Consolidated Tax Expense**" shall mean, for any period, the tax expense of Holdings and its Subsidiaries, for such period, determined on a consolidated basis in accordance with GAAP.

"**Contingent Obligation**" shall mean, as to any person, any obligation, agreement, understanding or arrangement of such person guaranteeing or intended to guarantee any Indebtedness, leases, dividends or other obligations ("**primary obligations**") of any other person (the "**primary obligor**") in any manner, whether directly or indirectly, including any obligation of such person, whether or not contingent, (a) to purchase any such primary obligation or any property constituting direct or indirect security therefor; (b) to advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation; (d) with respect to bankers' acceptances, letters of credit and similar credit arrangements, until a reimbursement obligation arises (which reimbursement obligation shall constitute Indebtedness); or (e) otherwise to assure or hold harmless the holder of such primary obligation against loss in respect thereof; *provided*, *however*, that the term "Contingent Obligation" shall not include endorsements of instruments for deposit or collection in the ordinary course of business or any product warranties. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made (or, if less, the maximum amount of such primary obligation for which such person may be liable, whether singly or jointly, pursuant to the terms of the instrument evidencing such Contingent Obligation) or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such person is required to perform thereunder) as determined by such person in good faith.

"**Control**" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a person, whether through the ownership of voting securities, by contract or otherwise, and the terms "**Controlling**" and "**Controlled**" shall have meanings correlative thereto.

"**Controlled Investment Affiliate**" means, as to any person, any other person which directly or indirectly is in Control of, is Controlled by, or is under common Control with, such person and is organized by such person (or any person Controlling such person) primarily for making equity or debt investments in Holdings or other portfolio companies.

"**Credit Extension**" shall mean the making of a Loan by a Lender.

"**CRPL**" shall mean the Corporate Restructuring Promotion Law of Korea (Law Number 09617 (amended in 2009)) and all regulations, rules and decrees promulgated under the CRPL and any successor statute or law.

"**Cumulative Credit**" means, at any date, an amount, not less than zero in the aggregate, determined on a cumulative basis equal to, without duplication:

(a) $5.0 million, plus;

(b) the aggregate cumulative sum of 50% of Excess Cash Flow for each full fiscal quarter ending after the Effective Date (which, for the avoidance of doubt, shall not include the fiscal quarter ending December 31, 2009), plus;

(c) cash proceeds from the sale of Equity Interests of Holdings (other than Disqualified Capital Stock or any Equity Interests that provide for the making of mandatory Dividends prior to the first anniversary of the Maturity Date) after the Effective Date, excluding any Cure Amounts, plus;

(d) cash contributions to the capital of Holdings after the Effective Date, excluding any Cure Amounts, minus;

(e) any Dividends made pursuant to Section 6.08(d) after the Effective Date, minus;

(f) any payments, prepayments, redemptions or acquisitions of Subordinated Indebtedness pursuant to Section 6.11(a) after the Effective Date.

"**Cure Amount**" shall have the meaning assigned to such term in Section 8.03.

"**Cure Right**" shall have the meaning assigned to such term in Section 8.03.

"**Current Assets**" shall mean, with respect to Holdings and its Subsidiaries on a consolidated basis at any date of determination, the sum of all assets (other than cash and Cash Equivalents or other cash equivalents) that would, in accordance with GAAP, be classified on a consolidated balance sheet of Holdings and its Subsidiaries as current assets at such date of determination, other than amounts related to current or deferred Taxes based on income or profits.

"**Current Liabilities**" shall mean, with respect to Holdings and its Subsidiaries on a consolidated basis at any date of determination, all liabilities that would, in accordance with GAAP, be classified on a consolidated balance sheet of Holdings and its Subsidiaries as current liabilities at such date of determination, other than (a) the current portion of any Indebtedness; (b) accruals of Consolidated Interest Expense; (c) accruals for current or deferred Taxes based on income or profits; (d) accruals, if any, of transaction costs resulting from the Transactions; (e) accruals of any costs or expenses related to (i) severance or termination of employees prior to the Effective Date or (ii) bonuses, pension and other post-retirement benefit obligations; and (f) accruals for add-backs to Consolidated EBITDA.

"**Debt Issuance**" shall mean the incurrence by Holdings or any of its Subsidiaries of any Indebtedness after the Effective Date (other than as permitted by Section 6.01).

"**Debt Service**" shall mean, for any period, Cash Interest Expense for such period plus scheduled principal amortization of all Indebtedness for such period.

"**Default**" shall mean any event, occurrence or condition which is, or upon notice, lapse of time or both would constitute, an Event of Default.

"**Default Rate**" shall have the meaning assigned to such term in Section 2.06(c).

"**Disqualified Capital Stock**" shall mean any Equity Interest which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event; (a) matures (excluding any maturity as the result of an optional redemption by the issuer thereof) or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part, on or prior to the first anniversary of the Maturity Date; (b) is convertible into or exchangeable (unless at the sole option of the issuer thereof) for (i) debt securities or (ii) any Equity Interests referred to in (a) above, in each case at any time on or prior to the first anniversary of the Maturity Date; or (c) contains any repurchase obligation which may come into effect prior to payment in full of all Obligations; *provided*, *however*, that any Equity Interests that would not constitute Disqualified Capital Stock but for provisions thereof giving holders thereof (or the holders of any security into or for which such Equity Interests is convertible, exchangeable or exercisable) the right to require the issuer thereof to redeem such Equity Interests upon the occurrence of a change in control or an asset sale occurring prior to the first anniversary of the Maturity Date shall not constitute Disqualified Capital Stock if such Equity Interests provide that the issuer thereof will not redeem any such Equity Interests pursuant to such provisions prior to the repayment in full of the Obligations.

"**Dividend**" with respect to any person shall mean that such person has declared or paid a dividend or returned any equity capital to the holders of its Equity Interests or authorized or made any other distribution, payment or delivery of property (other than Qualified Capital Stock of such person) or cash to the holders of its Equity Interests as such, or redeemed, retired, purchased or otherwise acquired, directly or indirectly, for consideration any of its Equity Interests outstanding (or any options or warrants issued by such person with respect to its Equity Interests), or set aside any funds for any of the foregoing purposes, or shall have permitted any of its Subsidiaries to purchase or otherwise acquire for consideration any of the Equity Interests of such person outstanding (or any options or warrants issued by such person with respect to its Equity Interests). Without limiting the foregoing, "Dividends" with respect to any person shall also include all payments made or required to be made by such person with respect to any stock appreciation rights, plans, equity incentive or achievement plans or any similar plans or setting aside of any funds for the foregoing purposes.

"**Dutch Holdco**" shall mean MagnaChip Semiconductor B.V., a Dutch privately held limited liability company.

"**Dollars**" or "**$**" shall mean lawful money of the United States.

"**Early Excess Cash Flow Prepayment**" means a prepayment of Loans pursuant to Section 2.09(d).

"**Effective Date**" shall mean the date on which the conditions precedent set forth in Section 4.01 shall have been satisfied or waived with the consent of the Supermajority Lenders, which date is November 6, 2009.

"**Eligible Assignee**" shall mean (i) any Lender; (ii) an Affiliate of any Lender; (iii) an Approved Fund; and (iv) any other person (other than a natural person) approved by the Supermajority Lenders and Borrowers.

"**Embargoed Person**" shall have the meaning assigned to such term in Section 6.21.

"**Enforcement Lenders**" shall mean (i) to the extent that Permitted Holders and their Affiliates hold more than 50% of the sum of all the Loans outstanding and unused Commitments, all Lenders who are not Permitted Holders or Affiliates thereof, and (ii) otherwise, the Required Lenders.

"**Environment**" shall mean ambient air, surface water and groundwater (including potable water, navigable water and wetlands), the land surface and subsurface strata, natural resources, the workplace, and any other area or medium in any Environmental Law.

"**Environmental Claim**" shall mean any claim, notice, demand, order, action, suit, proceeding or other communication alleging liability for an obligation with respect to any investigation, remediation, removal, cleanup, response, corrective action, damages to natural resources, personal injury, property damage, fines, penalties or other costs resulting from, related to or arising out of (i) the presence, Release or threatened Release in or into the Environment of Hazardous Material at any location or (ii) any violation or alleged violation of any Environmental Law, and shall include any claim seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from, related to or arising out of the presence, Release or threatened Release of Hazardous Material or alleged injury or threat of injury to health, safety or the Environment.

"**Environmental Law**" shall mean any and all applicable present and future treaties, laws, statutes, ordinances, regulations, rules, decrees, orders, judgments, consent orders, consent decrees, code or other binding requirements, and the common law, in any jurisdiction relating to protection of public health or the Environment, the Release or threatened Release of Hazardous Material, natural resources or natural resource damages, or occupational safety or health.

"**Environmental Permit**" shall mean any permit, license, approval, registration, notification, exemption, consent or other authorization required in any jurisdiction by or from a Governmental Authority under Environmental Law.

"**Equity Interest**" shall mean, with respect to any person, any and all shares, interests, participations or other equivalents, including membership interests (however designated, whether voting or nonvoting), of equity of such person, including, if such person is a partnership, partnership interests (whether general or limited) and any other interest or participation that confers on a person the right to receive a share of the profits and losses of, or distributions of property of, such partnership, whether outstanding on the date hereof or issued after the Effective Date, but excluding debt securities convertible or exchangeable into such equity.

"**Equity Issuance**" shall mean, without duplication, (i) any issuance or sale by Holdings after the Effective Date of any Equity Interests in Holdings (including any Equity Interests issued upon exercise of any warrant or option) or any warrants or options to purchase Equity Interests or (ii) any contribution to the capital of Holdings.

"**ERISA**" shall mean the Employee Retirement Income Security Act of 1974, as the same may be amended from time to time.

"**ERISA Affiliate**" shall mean, with respect to any person, any trade or business (whether or not incorporated) that, together with such person, is treated as a single employer under Section 414 of the Code.

"**ERISA Event**" shall mean (a) any "reportable event," as defined in Section 4043 of ERISA or the regulations issued thereunder, with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) prior to the effectiveness of the applicable provisions of the Pension Protection Act, the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), or on and after the effective date of the applicable provisions of the Pension Protection Act, any failure by any Plan to satisfy the minimum funding standard (within the meaning of Sections 412 and 430 of the Code or Section 302 of ERISA) applicable to such Plan, in each case whether or not waived; (c) the failure to make by its due date a required installment under Section 412(m) of the Code with respect to any Plan or the failure to make any required contribution to a Multiemployer Plan; (d) the filing pursuant to, prior to the effectiveness of the applicable provisions of the Pension Protection Act, Section 412(d) of the Code or Section 303(d) of ERISA, or on and after the effectiveness of the applicable provisions of the Pension Protection Act, Section 412(c) of the Code or Section 302(c) of ERISA, of an application for a waiver of the minimum funding standard with respect to any Plan; (e) the incurrence by any Company or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (f) the receipt by any Company or any of its ERISA Affiliates from the PBGC or a plan administrator of any notice relating to the intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan, or the occurrence of any event or condition which could reasonably be expected to constitute grounds under ERISA for the termination of, or the appointment of a trustee to administer, any Plan; (g) the incurrence by any Company or any of its ERISA Affiliates of any liability with respect to the withdrawal from any Plan or Multiemployer Plan; (h) the receipt by any Company or its ERISA Affiliates of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA or on and after the effective date of the applicable provisions of the Pension Protection Act, is in endangered or critical status, with the meaning of Section 305 of ERISA; (i) the "substantial cessation of operations" within the meaning of Section 4062(e) of ERISA with respect to a Plan; (j) the making of any amendment to any Plan which could result in the imposition of a lien or the posting of a bond or other security; (k) the occurrence of a nonexempt prohibited transaction (within the meaning of Section 4975 of the Code or Section 406 of ERISA) which could reasonably be expected to result in liability to any Company; and (l) on and after the effectiveness of the applicable provisions of the Pension Protection Act, a determination that any Plan is, or is expected to be, in "at-risk" status (as defined in Section 303(i)(4) of ERISA or Section 430(i)(4) of the Code).

"**Eurodollar Borrowing**" shall mean a Borrowing comprised of Eurodollar Loans.

"**Eurodollar Loan**" shall mean any Loan bearing interest at a rate determined by reference to the Adjusted LIBOR Rate in accordance with the provisions of Article II.

"**Event of Default**" shall have the meaning assigned to such term in Section 8.01.

"**Excess Cash Flow**" shall mean, with respect to Holdings and its Subsidiaries on a consolidated basis for any applicable period, Consolidated EBITDA for such period, minus, without duplication:

(a) Debt Service for such period (other than principal repayments in respect of any revolving credit facility unless there is an equivalent permanent reduction in commitments thereunder);

(b) the amount of any voluntary prepayment permitted hereunder of term Indebtedness during such period (other than any voluntary prepayment of the Loans), so long as the amount of such prepayment is not already reflected in Debt Service;

(c) (i) Capital Expenditures by Holdings and its Subsidiaries on a consolidated basis during such period that are paid in cash (to the extent permitted under this Agreement) other than any such Capital Expenditures that are financed with the Net Cash Proceeds of any Asset Sale pursuant to Section 2.09(c)(ii) and (ii) the aggregate consideration paid in cash during the period in respect of Permitted Acquisitions and other Investments permitted hereunder less any amounts received in cash in respect thereof;

(d) Capital Expenditures that Holdings or any of its Subsidiaries shall, during such period, become obligated to make but that are not made during such period (to the extent permitted under this Agreement); provided that (i) such Capital Expenditures and the delivery of the related equipment will be made within 180 days after the end of such period, and (ii) any amount so deducted shall not be deducted again in a subsequent period;

(e) Taxes paid in cash by Holdings and its Subsidiaries (or Permitted Tax Distributions permitted by Section 6.08(c)) on a consolidated basis during such period or that will be paid within six months after the close of such period; provided that with respect to any such amounts to be paid after the close of such period, (i) any amount so deducted shall not be deducted again in a subsequent period, and (ii) appropriate reserves shall have been established in accordance with GAAP;

(f) an amount equal to any increase in Working Capital for such period;

(g) cash expenditures made in respect of Hedging Agreements permitted under this Agreement during such period, to the extent not reflected in the computation of Consolidated EBITDA or Consolidated Interest Expense;

(h) Dividends (including repurchases by Holdings of its Qualified Capital Stock expressly permitted under Section 6.08(b)) paid in cash in such period by Holdings or any of its Subsidiaries to any person other than Holdings, any other Borrower or any of the Subsidiaries and to the extent expressly permitted under Section 6.08 (other than Section 6.08(d));

(i) amounts paid in cash during such period on account of (A) items that were accounted for as noncash reductions of net income in determining Consolidated Net Income or as noncash reductions of Consolidated Net Income in determining Consolidated EBITDA of Holdings and its Subsidiaries in a prior period and (B) reserves or accruals established in purchase accounting (provided that any amounts that are deducted from Excess Cash Flow pursuant to this clause (i) shall not thereafter be deducted from Excess Cash Flow in any succeeding period);

(j) to the extent not deducted in the computation of Net Cash Proceeds in respect of any Asset Sale or Casualty Event giving rise thereto, the amount of any mandatory prepayment of

Indebtedness (other than Indebtedness created hereunder or under any other Loan Document) made in cash in such period, together with the cash portion of any interest, premium or penalties required to be paid (and actually paid) in connection therewith; and

(k) the aggregate amount of items (including the cash funding of pensions and retirement obligations) that were added to or not deducted from net income in calculating Consolidated Net Income or were added to or not deducted from Consolidated Net Income in calculating Consolidated EBITDA to the extent such items represented a cash payment (which had not reduced Excess Cash Flow upon the accrual thereof in a prior period), or an accrual for a cash payment, by Holdings or any of its Subsidiaries or did not represent cash received by Holdings or any of its Subsidiaries, in each case on a consolidated basis during such period;

plus, without duplication:

(l) an amount equal to any decrease in Working Capital for such period;

(m) all amounts referred to in clauses (b), (c), (d) and (h) above to the extent funded with the proceeds of the issuance or the incurrence of Indebtedness (including Capital Lease Obligations and purchase money Indebtedness), the sale or issuance of any Equity Interests (including any capital contributions) and any loss, damage, destruction or condemnation of, or any sale, transfer or other disposition (including any sale and leaseback of assets and any mortgage or lease of Real Property) to any person of any asset or assets, in each case to the extent there is a corresponding deduction from Excess Cash Flow above;

(n) to the extent any permitted Capital Expenditures referred to in clause (d) above and the delivery of the related equipment have not occurred within 180 days of the end of the period in which such adjustment was made pursuant to clause (d) above, the amount of such Capital Expenditures that were not so made;

(o) cash payments received in respect of Hedging Agreements during such period to the extent (i) not included in the computation of Consolidated EBITDA or (ii) such payments do not reduce Cash Interest Expense;

(p) any extraordinary or nonrecurring gain realized in cash during such period (except to the extent such gain consists of Net Cash Proceeds subject to Section 2.09(c) or (f));

(q) to the extent deducted in the computation of Consolidated EBITDA, cash interest income; and

(r) the aggregate amount of items that were deducted from or not added to net income in connection with calculating Consolidated Net Income or were deducted from or not added to Consolidated Net Income in calculating Consolidated EBITDA to the extent either (i) such items represented cash received by Holdings or any of its Subsidiaries or (ii) such items do not represent cash paid by Holdings or any of its Subsidiaries, in each case on a consolidated basis during such period.

"**Excess Cash Flow Prepayment**" shall have the meaning assigned to such term in Section 2.09(b).

"**Exchange Act**" shall mean the Securities Exchange Act of 1934, as amended.

"**Excluded Taxes**" shall mean, with respect to the Administrative Agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of any Borrower hereunder, (a) taxes imposed on or measured by the recipient's overall net income (however denominated), franchise taxes imposed on the recipient (in lieu of net income taxes) and branch profits taxes imposed on the recipient, by the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located and (b) any Luxembourg federal withholding tax that is imposed on amounts payable to any Lender at the time such Lender becomes a party hereto (or designates a new lending office) or is attributable to such Lender's failure to comply with Section 2.14(e), except to the extent that such Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from Borrower with respect to such withholding tax pursuant to Section 2.14(a); *provided* that this clause (b) shall not apply to any Tax imposed on a Lender in connection with an interest or participation in any Loan or other obligation that such Lender was required to acquire pursuant to Section 2.13(c).

"**Executive Order**" shall have the meaning assigned to such term in Section 3.22.

"**Existing Lien**" shall have the meaning assigned to such term in Section 6.02(c).

"**Existing Obligations**" shall have the meaning assigned to such term in Section 10.19(b).

"**Federal Funds Effective Rate**" shall mean, for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System of the United States arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for the day for such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it.

"**Fee Letter**" shall mean that certain Fee Letter dated as of November 6, 2009 among the Borrowers and the Administrative Agent.

"**Final Order**" shall mean an order or judgment of a court of competent jurisdiction that has been entered on the docket maintained by the clerk of such court and has not been reversed, vacated or stayed and as to which (a) the time to appeal, petition for certiorari or move for a stay, new trial, reargument or rehearing has expired and as to which no appeal, petition for certiorari or other proceedings for a stay, new trial, reargument or rehearing shall then be pending or (b) if an appeal, writ of certiorari, stay, new trial, reargument or rehearing thereof has been sought, (i) such order or judgment shall have been affirmed by the highest court to which such order was appealed, certiorari shall have been denied or a stay, new trial, reargument or rehearing shall have been denied or resulted in no modification of such order and (ii) the time to take any further appeal, petition for certiorari or move for a stay, new trial, reargument or rehearing shall have expired.

"**Finance Subsidiary**" shall mean MagnaChip Semiconductor Finance Company, a Delaware limited liability company.

"**Financial Officer**" of any person shall mean the chief financial officer, principal accounting officer, treasurer or controller of such person.

"**FIRREA**" shall mean the Federal Institutions Reform, Recovery and Enforcement Act of 1989, as amended.

"**Foreign Plan**" shall mean any employee benefit plan, program, policy, arrangement or agreement (other than a Plan or Multiemployer Plan) maintained or contributed to by any Company with respect to employees employed outside the United States.

"**Foreign Sales Subsidiaries**" means each of the Sales Subsidiaries other than the US Sales Subsidiary.

"**Foreign Subsidiary**" shall mean a Subsidiary that is organized under the laws of a jurisdiction other than the United States or any state thereof or the District of Columbia.

"**Fund**" shall mean any person that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"**GAAP**" shall mean generally accepted accounting principles in the United States applied on a consistent basis.

"**Governmental Authority**" shall mean the government of the United States of America or any other nation, or of any political subdivision thereof, whether state, provincial or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank) in any jurisdiction.

"**Governmental Real Property Disclosure Requirements**" shall mean any Requirement of Law of any Governmental Authority requiring notification of the buyer, lessee, mortgagee, assignee or other transferee of any Real Property, facility, establishment or business, or notification, registration or filing to or with any Governmental Authority, in connection with the sale, lease, mortgage, assignment or other transfer (including any transfer of control) of any Real Property, facility, establishment or business, of the actual or threatened presence or Release in or into the Environment, or the use, disposal or handling of Hazardous Material on, at, under or near the Real Property, facility, establishment or business to be sold, leased, mortgaged, assigned or transferred.

"**Guaranteed Obligations**" shall have the meaning assigned to such term in Section 7.01.

"**Guarantees**" shall mean the guarantees issued pursuant to Article VII by Holdings and the Subsidiary Guarantors and the Korean Opco Bank Guarantee.

"**Guarantors**" shall mean Holdings and the Subsidiary Guarantors.

"**Hazardous Materials**" shall mean the following: hazardous substances; hazardous wastes; polychlorinated biphenyls ("**PCBs**") or any substance or compound containing PCBs; asbestos or any asbestos-containing materials in any form or condition; radon or any other radioactive materials including any source, special nuclear or by-product material; petroleum, crude oil or any fraction thereof; and any other pollutant or contaminant or chemicals, wastes, materials, compounds, constituents or substances, subject to regulation or which can give rise to liability under any Environmental Laws.

"**Hedging Agreement**" shall mean any swap, cap, collar, forward purchase or similar agreements or arrangements dealing with interest rates, currency exchange rates or commodity prices, either generally or under specific contingencies.

"**Hedging Obligations**" shall mean obligations under or with respect to Hedging Agreements.

"**Holdings**" shall have the meaning assigned to such term in the preamble hereto.

"**Hynix Related Account Debtors**" shall mean Hynix Semiconductor Inc. and each of its Subsidiaries that is an account debtor with respect to any Hynix Related Receivable.

"**Hynix Related Receivables**" shall mean any "accounts" as defined in the New York UCC owing to any of the Companies by any Hynix Related Account Debtors.

"**Increase Effective Date**" shall have the meaning assigned to such term in Section 2.18(a).

"**Increase Joinder**" shall have the meaning assigned to such term in Section 2.18(c).

"**Incremental Loan**" shall have the meaning assigned to such term in Section 2.18(c)(i).

"**Incremental Loan Commitments**" shall have the meaning assigned to such term in Section 2.18(a).

"**Indebtedness**" of any person shall mean, without duplication, (a) all obligations of such person for borrowed money or advances; (b) all obligations of such person evidenced by bonds, debentures, notes or similar instruments; (c) all obligations of such person upon which interest charges are customarily paid or accrued; (d) all obligations of such person under conditional sale or other title retention agreements relating to property purchased by such person; (e) all obligations of such person issued or assumed as the deferred purchase price of property or services (excluding trade accounts payable and accrued obligations incurred in the ordinary course of business on normal trade terms and, unless subject to a good faith dispute, not overdue by more than 90 days); (f) all Indebtedness of others secured by any Lien on property owned or acquired by such person, whether or not the obligations secured thereby have been assumed, but limited to the fair market value of such property; (g) all Capital Lease Obligations, Purchase Money Obligations and synthetic lease obligations of such person; (h) all Hedging Obligations to the extent required to be reflected on a balance sheet of such person; (i) all Attributable Indebtedness of such person; (j) all obligations of such person for the reimbursement of any obligor in respect of letters of credit, letters of guaranty, bankers' acceptances and similar credit transactions; and (k) all Contingent Obligations of such person in respect of Indebtedness or obligations of others of the kinds referred to in clauses (a) through (j) above. The Indebtedness of any person shall include the Indebtedness of any other entity (including any partnership in which such person is a general partner) to the extent such person is liable therefor as a result of such person's ownership interest in or other relationship with such entity, except (other than in the case of general partner liability) to the extent that terms of such Indebtedness expressly provide that such person is not liable therefor.

"**Indemnified Party**" shall have the meaning assigned to such term in Section 9.03.

"**Indemnified Taxes**" shall mean all Taxes other than Excluded Taxes.

"**Indemnitee**" shall have the meaning assigned to such term in Section 10.03(b).

"**Information**" shall have the meaning assigned to such term in Section 10.13.

"**Insurance Policies**" shall mean the insurance policies and coverages required to be maintained by each Loan Party which is an owner of Mortgaged Property with respect to the applicable Mortgaged Property pursuant to Section 5.04 and all renewals and extensions thereof.

"**Insurance Requirements**" shall mean, collectively, all provisions of the Insurance Policies, all requirements of the issuer of any of the Insurance Policies and all orders, rules, regulations and any other requirements of the National Board of Fire Underwriters (or any other body exercising similar functions) binding upon each Loan Party which is an owner of Mortgaged Property and applicable to the Mortgaged Property or any use or condition thereof.

"**Intellectual Property**" shall mean collectively, all rights, privileges relating to intellecttual property, whether arising under United States, state, multinational or foreign laws or otherwise, including, without limitation, copyrights, patents, trademarks, service-marks, trade names, domain names, technology, proprietary information, know-how and processes, recipes, formulas, trade secrets, all applications for registration or issuance of any of the foregoing, and all rights to sue at law or in equity for any past, present or future infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

"**Intercompany Loan Documents**" shall mean any promissory note or other instrument evidencing any extension of credit by any Loan Party to Holdings or any of its Subsidiaries.

"**Interest Election Request**" shall mean a request by any Borrower to convert or continue a Borrowing in accordance with Section 2.08(b), substantially in the form of Exhibit E.

"**Interest Payment Date**" shall mean (a) with respect to any ABR Loan, the last Business Day of each March, June, September and December to occur during any period in which such Loan is outstanding; (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Loan with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period; and (c) with respect to any Loan, the Maturity Date or such earlier date on which the maturity of the Loans is accelerated, as the case may be.

"**Interest Period**" shall mean, with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months (or, if each affected Lender so agrees, nine months) thereafter, as any Borrower may elect; *provided* that (a) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day; and (b) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or

continuation of such Borrowing; *provided*, *however*, that an Interest Period shall be limited to the extent required under Section 2.02(e).

"**Investments**" shall have the meaning assigned to such term in Section 6.04.

"**IPO**" shall mean the first underwritten public offering by Holdings of its Equity Interests after the Effective Date pursuant to a registration statement filed with the Securities and Exchange Commission in accordance with the Securities Act that results in cumulative gross proceeds of not less than $25 million.

"**Joinder Agreement**" shall mean a joinder agreement substantially in the form of Exhibit F.

"**Judgment Currency**" shall have the meaning assigned to such term in Section 10.18(a).

"**Judgment Currency Conversion Date**" shall have the meaning assigned to such term in Section 10.18(a).

"**Korean Opco**" shall mean MagnaChip Semiconductor Ltd., a Korean *yuhan hoesa*.

"**Korean Opco Bank Guarantee**" shall have the meaning assigned to such term in Section 4.01(q)(i).

"**Korean Opco Loan Documents**" shall mean the Korean Opco Bank Guarantee, the Korean Opco Security Documents, and all other documents executed and delivered with respect thereto.

"**Korean Opco Security Documents**" shall mean each of the documents executed by Korean Opco granting liens and/or security interests in each of its assets in favor of the Collateral Trustee as security for the obligations of Korean Opco under the Korean Opco Bank Guarantee and all documents and other instruments related, directly or indirectly, thereto (including, without limitation, such documents and instruments set forth on Schedule 1.01(a)).

"**Leases**" shall mean any and all leases, subleases, tenancies, options, concession agreements, rental agreements, occupancy agreements, franchise agreements, access agreements and any other agreements (including all amendments, extensions, replacements, renewals, modifications and/or guarantees thereof), whether or not of record and whether now in existence or hereafter entered into, affecting the use or occupancy of all or any portion of any Real Property.

"**Lenders**" shall mean (a) the financial institutions listed as Lenders on the signature pages hereto, (b) any financial institution that has become a party hereto pursuant to an Assignment and Assumption, and (c) any financial institution that becomes party hereto pursuant to Section 2.18, other than, in each case, any such financial institution that has ceased to be a party hereto pursuant to an Assignment and Assumption.

"**LIBOR Rate**" shall mean, with respect to any Eurodollar Borrowing for any Interest Period, the rate per annum determined by the Administrative Agent to be the arithmetic mean (rounded upward, if necessary, to the nearest 1/100th of 1%) of the offered rates for deposits in dollars with a term comparable to such Interest Period that appears on the Telerate British Bankers Assoc. Interest Settlement Rates Page (as defined below) at approximately 11:00 a.m., London, England time, on the second full Business Day preceding the first day of such Interest Period; *provided*, *however*, that (i) if no comparable

term for an Interest Period is available, the LIBOR Rate shall be determined using the weighted average of the offered rates for the two terms most nearly corresponding to such Interest Period and (ii) if there shall at any time no longer exist a Telerate British Bankers Assoc. Interest Settlement Rates Page, "LIBOR Rate" shall mean, with respect to each day during each Interest Period pertaining to Eurodollar Borrowings comprising part of the same Borrowing, the rate per annum equal to the rate at which the Administrative Agent is offered deposits in dollars at approximately 11:00 a.m., London, England time, two Business Days prior to the first day of such Interest Period in the London interbank market for delivery on the first day of such Interest Period for the number of days comprised therein and in an amount comparable to its portion of the amount of such Eurodollar Borrowing to be outstanding during such Interest Period. "**Telerate British Bankers Assoc**. **Interest Settlement Rates Page**" shall mean the display designated as Page 3750 on the Telerate System Incorporated Service (or such other page as may replace such page on such service for the purpose of displaying the rates at which dollar deposits are offered by leading banks in the London interbank deposit market).

"**Lien**" shall mean, with respect to any property, (a) any mortgage, deed of trust, lien, pledge, encumbrance, claim, charge, assignment, hypothecation, security interest or encumbrance of any kind or any arrangement to provide priority or preference or any filing of any financing statement under the UCC or any other similar notice of lien under any similar notice or recording statute of any Governmental Authority, including any easement, right-of-way or other encumbrance on title to Real Property, in each of the foregoing cases whether voluntary or imposed by law, and any agreement to give any of the foregoing; (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such property; and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"**Liquidity Requirement**" shall have the meaning assigned to such term in Section 6.10.

"**Loan Documents**" shall mean this Agreement, the Notes (if any), the Security Documents, the Collateral Trust Documents, and the Korean Opco Loan Documents.

"**Loan Parties**" shall mean Holdings, Borrowers and the Subsidiary Guarantors.

"**Loans**" shall mean, as the context may require, a Term Loan or an Incremental Loan.

"**Lux Borrower**" shall mean MagnaChip Semiconductor S.A., a Luxembourg corporation.

"**MagnaChip SA Holdings**" shall mean MagnaChip Semiconductor SA Holdings LLC, a Delaware limited liability company.

"**Margin Stock**" shall have the meaning assigned to such term in Regulation U.

"**Material Adverse Effect**" shall mean (a) a material adverse effect on the business, property, results of operations, prospects or condition, financial or otherwise, of Borrowers and their Subsidiaries, taken as a whole, or Holdings and its Subsidiaries taken as a whole; (b) material impairment of the ability of the Loan Parties to perform any of their obligations under any Loan Document; (c) material impairment of the rights of or benefits or remedies available to the Lenders or the Collateral Agent under any Loan Document; or (d) a material adverse effect on the Collateral or the Liens in favor of the Collateral Agent (for its benefit and for the benefit of the other Secured Parties) on the Collateral or

the priority of such Liens; *provided* that, neither the Chapter 11 Case nor the events leading thereto shall constitute a Material Adverse Effect.

"**Material Indebtedness**" shall mean any Indebtedness (other than the Loans) or Hedging Obligations of Holdings or any of its Subsidiaries in an aggregate outstanding principal amount exceeding $3.0 million. For purposes of determining Material Indebtedness, the "principal amount" in respect of any Hedging Obligations of any Loan Party at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that such Loan Party would be required to pay if the related Hedging Agreement were terminated at such time.

"**Maturity Date**" shall mean November 6, 2013.

"**Maximum Rate**" shall have the meaning assigned to such term in Section 10.15.

"**Mortgage**" shall mean an agreement, including, but not limited to, a mortgage, deed of trust or any other document, creating and evidencing a Lien on a Mortgaged Property, which shall be reasonably satisfactory to the Collateral Agent and include such provisions as shall be necessary to conform such document to applicable local or foreign law or as shall be customary under applicable local or foreign law.

"**Mortgaged Property**" shall mean (a) all Real Property securing all or any portion of the Secured Obligations or any obligations of Korean Opco under the Korean Opco Loan Documents and (b) each Real Property, if any, which shall be subject to a Mortgage delivered after the Closing Date pursuant to Section 5.10(c).

"**Multiemployer Plan**" shall mean a multiemployer plan within the meaning of Section 4001(a)(3) or Section 3(37) of ERISA (a) to which any Company or any ERISA Affiliate is then making or accruing an obligation to make contributions; (b) to which any Company or any ERISA Affiliate has within the preceding five plan years made contributions; or (c) with respect to which any Company could incur liability.

"**Net Cash Proceeds**" shall mean:

(a) with respect to any Asset Sale (other than any issuance or sale of Equity Interests), the cash proceeds received by Holdings or any of its Subsidiaries (including cash proceeds subsequently received (as and when received by Holdings or any of its Subsidiaries) in respect of non-cash consideration initially received) net of (i) selling expenses (including reasonable brokers' fees or commissions, legal, accounting and other professional and transactional fees, transfer and similar taxes and Borrowers' good faith estimate of income taxes paid or payable in connection with such sale); (ii) amounts provided as a reserve, in accordance with GAAP, against (x) any liabilities under any indemnification obligations associated with such Asset Sale or (y) any other liabilities retained by Holdings or any of its Subsidiaries associated with the properties sold in such Asset Sale (*provided* that, to the extent and at the time any such amounts are released from such reserve, such amounts shall constitute Net Cash Proceeds); (iii) Borrowers' good faith estimate of payments required to be made with respect to unassumed liabilities relating to the properties sold within 90 days of such Asset Sale (*provided* that, to the extent such cash proceeds are not used to make payments in respect of such unassumed liabilities within 90 days of such Asset Sale, such cash proceeds shall constitute Net Cash Proceeds); and (iv) the principal amount, premium or penalty, if any, interest and other amounts on any

Indebtedness for borrowed money which is secured by a Lien on the properties sold in such Asset Sale (so long as such Lien was permitted to encumber such properties under the Loan Documents at the time of such sale) and which is repaid with such proceeds (other than any such Indebtedness assumed by the purchaser of such properties);

(b) with respect to any Debt Issuance, any Equity Issuance or any other issuance or sale of Equity Interests by Holdings or any of its Subsidiaries, the cash proceeds thereof, net of customary fees, commissions, costs and other expenses incurred in connection therewith; and

(c) with respect to any Casualty Event, the cash insurance proceeds, condemnation awards and other compensation received in respect thereof, net of all reasonable costs and expenses incurred in connection with the collection of such proceeds, awards or other compensation in respect of such Casualty Event.

"**Non Guarantor Subsidiaries**" means each Subsidiary of Holdings that is not a Subsidiary Guarantor.

"**Non-Reinvested Asset Sale Proceeds**" shall have the meaning assigned to such term in Section 2.09(c).

"**Non-Reinvested Casualty Proceeds**" shall have the meaning assigned to such term in Section 2.09(f).

"**Non-Reinvested Proceeds**" shall mean, collectively, the Non-Reinvested Asset Sale Proceeds and the Non-Reinvested Casualty Proceeds.

"**Notes**" shall mean any notes evidencing the Loans issued pursuant to this Agreement, if any, substantially in the form of Exhibit G.

"**Obligation Currency**" shall have the meaning assigned to such term in Section 10.18(a).

"**Obligations**" shall mean (a) obligations of Borrowers and the other Loan Parties from time to time arising under or in respect of the due and punctual payment of (i) the principal of and premium, if any, and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loans, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise and (ii) all other monetary obligations, including fees, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of Borrowers and the other Loan Parties under this Agreement and the other Loan Documents; (b) the due and punctual performance of all covenants, agreements, obligations and liabilities of Borrowers and the other Loan Parties under or pursuant to this Agreement and the other Loan Documents; and (c) the due and punctual payment and performance of all obligations in respect of overdrafts and related liabilities owed to any Lender, any Affiliate of a Lender, the Administrative Agent or the Collateral Agent arising from treasury, depositary and cash management services or in connection with any automated clearinghouse transfer of funds.

"**OFAC**" shall have the meaning assigned to such term in Section 3.21.

"**Officers' Certificate**" shall mean a certificate executed by the chairman of the Board of Directors (if an officer), the chief executive officer or the president and one of the Financial Officers, each in his or her official (and not individual) capacity.

"**Organizational Documents**" shall mean, with respect to any person, (i) in the case of any corporation, the certificate of incorporation and by-laws (or similar documents) of such person; (ii) in the case of any limited liability company, the certificate of formation and operating agreement (or similar documents) of such person; (iii) in the case of any limited partnership, the certificate of formation and limited partnership agreement (or similar documents) of such person; (iv) in the case of any general partnership, the partnership agreement (or similar document) of such person; and (v) in any other case, the functional equivalent of the foregoing.

"**Other Taxes**" shall mean all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any other Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

"**Participant**" shall have the meaning assigned to such term in Section 10.04(d).

"**PBGC**" shall mean the Pension Benefit Guaranty Corporation referred to and defined in ERISA.

"**Pension Protection Act**" shall mean the Pension Protection Act of 2006 (PL 109-280), as amended.

"**Perfection Certificate**" shall have the meaning set forth in the Security Agreement.

"**Permitted Acquisition**" shall mean any transaction or series of related transactions for the direct or indirect (a) acquisition of all or substantially all of the property of any person, or of any business or division of any person; (b) acquisition of in excess of 50% of the Equity Interests of any person, and otherwise causing such person to become a Subsidiary of such person; or (c) merger or consolidation or any other combination with any person, if each of the following conditions is met:

(i) no Default then exists or would result therefrom;

(ii) after giving effect to such transaction on a Pro Forma Basis, the Total Leverage Ratio shall be no more than 3.0 to 1.0,

(iii) no Company shall, in connection with any such transaction, assume or remain liable with respect to any Indebtedness or other liability (including any material tax or ERISA liability) of the related seller or the business, person or properties acquired, except (A) to the extent permitted under Section 6.01 and (B) obligations not constituting Indebtedness incurred in the ordinary course of business and necessary or desirable to the continued operation of the underlying properties, and any other such liabilities or obligations not permitted to be assumed or otherwise supported by any Company hereunder shall be paid in full or released as to the business, persons or properties being so acquired on or before the consummation of such acquisition;

(iv) the person or business to be acquired shall be, or shall be engaged in, a business of the type that Borrowers and their Subsidiaries are permitted to be engaged in under

Section 6.15 and the property acquired in connection with any such transaction shall be made subject to the Lien of the Security Documents (to the extent permitted by applicable law) and shall be free and clear of any Liens, other than Permitted Collateral Liens;

(v) the Board of Directors of the person to be acquired shall not have indicated publicly its opposition to the consummation of such acquisition (which opposition has not been publicly withdrawn);

(vi) all transactions in connection therewith shall be consummated in accordance with all applicable Requirements of Law;

(vii) with respect to any transaction involving Acquisition Consideration of more than $25.0 million, unless the Administrative Agent shall otherwise agree, Borrowers shall have provided the Administrative Agent and the Lenders with (A) historical financial statements for the last three fiscal years (or, if less, the number of years since formation) of the person or business to be acquired (audited if available without undue cost or delay) and unaudited financial statements thereof for the most recent interim period which are available; (B) reasonably detailed projections for the succeeding five years pertaining to the person or business to be acquired and updated projections for Borrowers after giving effect to such transaction; (C) a reasonably detailed description of all material information relating thereto and copies of all material documentation pertaining to such transaction; and (D) all such other information and data relating to such transaction or the person or business to be acquired as may be reasonably requested by the Administrative Agent or the Required Lenders;

(viii) Borrowers shall have delivered to the Agents and the Lenders an Officers' Certificate certifying that (A) such transaction complies with this definition (which shall have attached thereto reasonably detailed backup data and calculations showing such compliance), and (B) such transaction could not reasonably be expected to result in a Material Adverse Effect; and

(ix) the Acquisition Consideration for such acquisition shall not exceed $50.0 million of which up to $25.0 million may be cash, and the aggregate amount of the Acquisition Consideration for all Permitted Acquisitions since the Effective Date shall not exceed $100.0 million; *provided* that any Equity Interests constituting all or a portion of such Acquisition Consideration shall not have a cash dividend requirement on or prior to the Maturity Date.

"**Permitted Collateral Liens**" means (i) Contested Liens (as defined in the Security Agreement); (ii) the Liens described in clauses (a), (b), (c), (d), (e), (f), (g), (h), (j), (k), (l), (m) and (n) of Section 6.02; and (iii) in the case of Mortgaged Property, "Permitted Collateral Liens" shall mean the Liens described in clauses (a), (b), (c), (d), (e), (g) and (l) of Section 6.02.

"**Permitted Holders**" shall mean Avenue Investments, LP and its Controlled Investment Affiliates.

"**Permitted Liens**" shall have the meaning assigned to such term in Section 6.02.

"**Permitted Tax Distributions**" means, with respect to any periods during which MagnaChip Semiconductor LLC is treated as a partnership for U.S. federal income tax purposes, payments in respect of tax liabilities of MagnaChip Semiconductor LLC's members arising from direct or indirect ownership of MagnaChip Semiconductor LLC's equity interests. Permitted Tax Distributions

shall be calculated by reference to the amount of MagnaChip Semiconductor LLC's and its Subsidiaries' income determined to be an amount required to be included in income under section 951 of the Code times 35%. A nationally recognized accounting firm chosen by Holdings shall determine the amount of Permitted Tax Distributions.

"**person**" shall mean any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"**Petition Date**" shall have the meaning set forth in the recitals hereto.

"**Plan**" shall mean any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA which is maintained or contributed to by any Company or its ERISA Affiliate or with respect to which any Company could incur liability (including under Section 4069 of ERISA).

"**Preferred Stock**" shall mean, with respect to any person, any and all preferred or preference Equity Interests (however designated) of such person whether now outstanding or issued after the Effective Date.

"**Premises**" shall have the meaning assigned thereto in the applicable Mortgage.

"**Pre-Petition Credit Agreement**" shall have the meanings set forth in the recitals hereto.

"**Pro Forma Basis**" shall mean on a basis in accordance with GAAP and Regulation S-X and otherwise reasonably satisfactory to the Administrative Agent.

"**property**" shall mean any right, title or interest in or to property, undertaking or assets of any kind whatsoever, wherever situate, whether real, personal or mixed and whether tangible or intangible and including Equity Interests or other ownership interests of any person and whether now in existence or owned or hereafter entered into or acquired, including all Real Property.

"**Proposed Assignment**" shall have the meaning set forth in Section 10.04(b)(iv).

"**Purchase Money Obligation**" shall mean, for any person, the obligations of such person in respect of Indebtedness (including Capital Lease Obligations) incurred for the purpose of financing all or any part of the purchase price of any property (including Equity Interests of any person) or the cost of installation, construction or improvement of any property and any refinancing thereof; *provided*, *however*, that (i) such Indebtedness is incurred within one year after such acquisition of such property by such person and (ii) the amount of such Indebtedness does not exceed 100% of the cost of such acquisition, installation, construction or improvement, as the case may be.

"**Qualified Capital Stock**" of any person shall mean any Equity Interests of such person that are not Disqualified Capital Stock.

"**Real Property**" shall mean, collectively, all right, title and interest (including any leasehold, mineral or other estate) in and to any and all parcels of or interests in real property owned, leased or operated by any person, whether by lease, license or other means, together with, in each case, all easements, hereditaments and appurtenances relating thereto, all improvements and appurtenant fixtures

and equipment, all general intangibles and contract rights and other property and rights incidental to the ownership, lease or operation thereof.

"**Register**" shall have the meaning assigned to such term in Section 10.04(c).

"**Regulation D**" shall mean Regulation D of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"**Regulation S-X**" shall mean Regulation S-X promulgated under the Securities Act.

"**Regulation T**" shall mean Regulation T of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"**Regulation U**" shall mean Regulation U of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"**Regulation X**" shall mean Regulation X of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"**Related Parties**" shall mean, with respect to any person, such person's Affiliates and the partners, directors, officers, employees, agents and advisors of such person and of such person's Affiliates.

"**Release**" shall mean any spilling, leaking, seepage, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, disposing, depositing, dispersing, emanating or migrating of any Hazardous Material in, into, onto or through the Environment.

"**Required Lenders**" shall mean Lenders holding more than 50% of the sum of all Loans outstanding and unused Commitments.

"**Requirements of Law**" shall mean, collectively, any and all requirements of any Governmental Authority including any and all laws, judgments, orders, decrees, ordinances, rules, regulations, statutes or case law in any jurisdiction.

"**Response**" shall mean (a) "response" as such term is defined in CERCLA, 42 U.S.C. § 9601(24), and (b) all other actions required by any Governmental Authority or voluntarily undertaken to (i) clean up, remove, treat, abate or in any other way address any Hazardous Material in the Environment; (ii) prevent the Release or threat of Release, or minimize the further Release, of any Hazardous Material; or (iii) perform studies and investigations in connection with, or as a precondition to, or to determine the necessity of the activities described in, clause (i) or (ii) above.

"**Responsible Officer**" of any person shall mean any executive officer or Financial Officer of such person and any other officer or similar official thereof with responsibility for the administration of the obligations of such person in respect of this Agreement.

"**Sale and Leaseback Transaction**" has the meaning assigned to such term in Section 6.03.

"**Sales Subsidiaries**" shall mean, collectively, (i) MagnaChip Semiconductor, Inc., a California corporation; (ii) MagnaChip Semiconductor Limited, a company incorporated in England and

Wales with registered number 05232381; (iii) MagnaChip Semiconductor, Inc., a Japan company; (iv) MagnaChip Semiconductor Ltd. a Hong Kong company; and (v) MagnaChip Semiconductor Limited, a Taiwan company.

"**Sarbanes-Oxley Act**" shall mean the United States Sarbanes-Oxley Act of 2002, as amended, and all rules and regulations promulgated thereunder.

"**Secured Obligations**" shall mean the Obligations and the due and punctual payment and performance of all obligations of Borrowers and the other Loan Parties under each Hedging Agreement entered into with any counterparty that is a Secured Party.

"**Secured Parties**" shall mean, collectively, the Administrative Agent, the Collateral Agent, the Collateral Trustee, the Lenders and each party to a Hedging Agreement relating to the Loans if at the date of entering into such Hedging Agreement such person was a Lender or an Affiliate of a Lender and such person executes and delivers to the Administrative Agent a letter agreement in form and substance reasonably acceptable to the Administrative Agent pursuant to which such person (i) appoints the Collateral Agent as its agent under the applicable Loan Documents and (ii) agrees to be bound by the provisions of Sections 10.03 and 10.09.

"**Securities Act**" shall mean the Securities Act of 1933.

"**Securities Collateral**" shall have the meaning assigned to such term in the Security Agreement, together with all other certificated Equity Interests, note or other instruments pledged pursuant to any of the Security Documents.

"**Security Agreement**" shall mean a Security Agreement substantially in the form of Exhibit H among certain of the Loan Parties and Collateral Agent for the benefit of the Secured Parties.

"**Security Agreement Collateral**" shall mean all property pledged or granted as collateral pursuant to the Security Agreement delivered (a) on the Closing Date or (b) thereafter pursuant to Section 5.11.

"**Security Documents**" shall mean the Security Agreement, the Mortgages, the Korean Opco Security Documents and each other security document or pledge agreement delivered in accordance with applicable local or foreign law to grant a valid, perfected security interest in any property as collateral for the Secured Obligations and/or Guaranteed Obligations, and all UCC or other financing statements or instruments of perfection required by this Agreement, the Security Agreement, any Mortgage, the Korean Opco Security Documents or any other such security document or pledge agreement to be filed with respect to the security interests in property and fixtures created pursuant to the Security Agreement, any Mortgage or the Korean Opco Security Documents and any other document or instrument utilized to pledge, assign, charge or grant or purport to pledge, assign, charge or grant a security interest or lien under the laws of any jurisdiction on any property as collateral for the Secured Obligations.

"**Specified Lender**" shall mean Avenue Investments, LP, its Controlled Investment Affiliates and Related Parties as long as they collectively hold more than 50% of the outstanding Loans and unused Commitments.

"**Statutory Reserves**" shall mean for any Interest Period for any Eurodollar Borrowing, the average maximum rate at which reserves (including any marginal, supplemental or emergency

reserves) are required to be maintained during such Interest Period under Regulation D by member banks of the United States Federal Reserve System in New York City with deposits exceeding one billion dollars against "Eurocurrency liabilities" (as such term is used in Regulation D).

"**Subordinated Indebtedness**" shall mean Indebtedness of any Borrower or any Guarantor that is by its terms subordinated in right of payment to the Obligations of such Borrower and such Guarantor, as applicable.

"**Subordinated Indebtedness Payment**" shall have the meaning assigned to such term in Section 6.11(a).

"**Subsidiary**" shall mean, with respect to any person (the "**parent**") at any date, (i) any person the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date; (ii) any other corporation, limited liability company, association or other business entity of which securities or other ownership interests representing more than 50% of the voting power of all Equity Interests entitled (without regard to the occurrence of any contingency) to vote in the election of the Board of Directors thereof are, as of such date, owned, controlled or held by the parent and/or one or more subsidiaries of the parent; (iii) any partnership (a) the sole general partner or the managing general partner of which is the parent and/or one or more subsidiaries of the parent or (b) the only general partners of which are the parent and/or one or more subsidiaries of the parent; and (iv) any other person that is otherwise Controlled by the parent and/or one or more subsidiaries of the parent. Unless the context requires otherwise, "Subsidiary" refers to a Subsidiary of any Borrower or Holdings.

"**Subsidiary Guarantor**" shall mean each Subsidiary listed on Schedule 1.01(d), Korean Opco and each other Subsidiary that is or becomes a party to this Agreement pursuant to Section 5.10.

"**Supermajority Lenders**" shall mean at least two Lenders (provided that one of the Lenders shall not be a Specified Lender), who hold in the aggregate at least 70% of the sum of all Loans outstanding and unused Commitments.

"**Survey**" shall mean a survey of any Mortgaged Property (and all improvements thereon) which is (a) (i) prepared by a surveyor or engineer licensed to perform surveys in the jurisdiction where such Mortgaged Property is located, (ii) dated (or redated) not earlier than six months prior to the date of delivery thereof and (b) otherwise in form and substance substantially satisfactory to the Collateral Agent.

"**Tax Return**" shall mean all returns, statements, filings, attachments and other documents or certifications required to be filed in respect of Taxes.

"**Taxes**" shall mean all present or future taxes, levies, imposts, duties, registration or stamp duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"**Term Loan**" shall mean a Term Loan deemed to be outstanding on the Effective Date pursuant to Section 2.01.

"**Test Period**" shall mean, at any time, the four consecutive fiscal quarters of Borrowers (or its predecessor) then last ended for which financial statements have been delivered pursuant to Section 5.01.

"**Total Assets**" shall mean the total amount of all assets of a person, determined on a consolidated basis in accordance with GAAP as shown on such person's most recent balance sheet.

"**Total Leverage Ratio**" shall mean, at any date of determination, the ratio of (x) Consolidated Indebtedness on such date to (y) Consolidated EBITDA for the Test Period then most recently ended.

"**Transaction Documents**" shall mean the Loan Documents, Collateral Trust Documents and the Plan of Reorganization.

"**Transactions**" shall mean, collectively, the transactions to occur on or prior to the Effective Date pursuant to the Transaction Documents, including (a) the execution, delivery and performance of the Loan Documents and the initial borrowing hereunder; (b) the transactions contemplated by the Plan of Reorganization; and (c) the payment of all fees and expenses to be paid on or prior to the Effective Date and owing in connection with the foregoing.

"**Transferred Guarantor**" shall have the meaning assigned to such term in Section 7.09.

"**Type**," when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBOR Rate or the Alternate Base Rate.

"**UCC**" shall mean the Uniform Commercial Code as in effect from time to time (except as otherwise specified) in any applicable state or jurisdiction.

"**UK Sales Subsidiary**" shall mean MagnaChip Semiconductor Limited, a company incorporated in England and Wales with registered number 05232381.

"**United States**" shall mean the United States of America.

"**USA Patriot Act**" shall have the meaning assigned to such term in Section 3.21.

"**U.S. Sales Subsidiary**" shall mean MagnaChip Semiconductor, Inc., a California corporation.

"**Voting Stock**" shall mean, with respect to any person, any class or classes of Equity Interests pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the Board of Directors of such person.

"**Wholly Owned Subsidiary**" shall mean, as to any person, (a) any corporation 100% of whose capital stock (other than directors' qualifying shares) is at the time owned by such person and/or one or more Wholly Owned Subsidiaries of such person and (b) any partnership, association, joint venture, limited liability company or other entity in which such person and/or one or more Wholly Owned Subsidiaries of such person have a 100% equity interest at such time.

"**Withdrawal Liability**" shall mean liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

"**Working Capital**" shall mean, with respect to Holdings and its Subsidiaries on a consolidated basis at any date of determination, Current Assets at such date of determination minus Current Liabilities at such date of determination; provided that, for purposes of calculating Excess Cash Flow, increases or decreases in Working Capital shall be calculated without regard to any changes in Current Assets or Current Liabilities as a result of (a) any reclassification in accordance with GAAP of assets or liabilities, as applicable, between current and noncurrent or (b) the effects of purchase accounting.

SECTION 1.02 Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Class (*e.g.*, a "Term Loan") or by Type (*e.g.*, a "Eurodollar Loan") or by Class and Type. Borrowings also may be classified and referred to by Type (*e.g.*, a "Eurodollar Borrowing").

SECTION 1.03 Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise (a) any definition of or reference to any Loan Document, agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any person shall be construed to include such person's successors and assigns, (c) the words "herein," "hereof" and "hereunder," and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement, (e) any reference to any law or regulation herein shall refer to such law or regulation as amended, modified or supplemented from time to time, (f) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights and (g) "on," when used with respect to the Mortgaged Property or any property adjacent to the Mortgaged Property, means "on, in, under, above or about."

SECTION 1.04 Accounting Terms; GAAP. Except as otherwise expressly provided herein, all financial statements to be delivered pursuant to this Agreement shall be prepared in accordance with GAAP as in effect from time to time and all terms of an accounting or financial nature shall be construed and interpreted in accordance with GAAP, as in effect on the date hereof unless otherwise agreed to by Borrowers and the Supermajority Lenders.

SECTION 1.05 Resolution of Drafting Ambiguities. Each Loan Party acknowledges and agrees that it was represented by counsel in connection with the execution and delivery of the Loan Documents to which it is a party, that it and its counsel reviewed and participated in the preparation and negotiation hereof and thereof and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be employed in the interpretation hereof or thereof.

ARTICLE II

THE CREDITS

SECTION 2.01 Commitments.

On the Effective Date, subject to the terms and conditions and relying upon the representations and warranties set forth herein, (i) any unused Revolving Commitment, Swingline Commitment and LC Commitment (in each case, as defined in the Pre-Petition Credit Agreement) under the Pre-Petition Credit Agreement is terminated and (ii) the outstanding principal amount of outstanding loans under the Pre-Petition Credit Agreement is reduced to $61,750,000 and are redenominated as Term Loans. As of the Effective Date, the outstanding principal amount of Term Loans owed to each Lender is set forth on Annex I hereto. Amounts repaid in respect of Term Loans may not be reborrowed.

SECTION 2.02 Loans.

(a) Each Loan shall be made as part of a Borrowing consisting of Loans made by the Lenders ratably in accordance with their applicable Commitments; *provided* that the failure of any Lender to make its Loan shall not in itself relieve any other Lender of its obligation to lend hereunder (it being understood, however, that no Lender shall be responsible for the failure of any other Lender to make any Loan required to be made by such other Lender).

(b) Subject to Sections 2.11 and 2.12, each Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as any Borrower may request pursuant to Section 2.03. Each Lender may at its option make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; *provided* that any exercise of such option shall not affect the obligation of Borrowers to repay such Loan in accordance with the terms of this Agreement. Borrowings of more than one Type may be outstanding at the same time; *provided* that Borrowers shall not be entitled to request any Borrowing that, if made, would result in more than five Eurodollar Borrowings outstanding hereunder at any one time. For purposes of the foregoing, Borrowings having different Interest Periods, regardless of whether they commence on the same date, shall be considered separate Borrowings.

(c) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds to such account in New York City as the Administrative Agent may designate not later than 11:00 a.m., New York City time, and the Administrative Agent shall promptly credit the amounts so received to an account as directed by any Borrower in the applicable Borrowing Request maintained with the Administrative Agent or, if a Borrowing shall not occur on such date because any condition precedent herein specified shall not have been met, return the amounts so received to the respective Lenders.

(d) Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's portion of such Borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the date of such Borrowing in accordance with paragraph (c) above, and the Administrative Agent may, in reliance upon such assumption, make available to Borrowers on such date a corresponding amount. If the Administrative Agent shall have so made funds available, then, to the extent that such Lender shall not have made such portion available to the Administrative Agent, each of such Lender and Borrowers severally agrees to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for

each day from the date such amount is made available to Borrowers until the date such amount is repaid to the Administrative Agent at (i) in the case of Borrowers, the interest rate applicable at the time to the Loans comprising such Borrowing and (ii) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation. If such Lender shall repay to the Administrative Agent such corresponding amount, such amount shall constitute such Lender's Loan as part of such Borrowing for purposes of this Agreement, and Borrowers' obligation to repay the Administrative Agent such corresponding amount pursuant to this Section 2.02(d) shall cease.

(e) Notwithstanding any other provision of this Agreement, none of the Borrowers shall be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

SECTION 2.03 Borrowing Procedure. To request a Borrowing, a Borrower shall deliver, by hand delivery or telecopier, a duly completed and executed Borrowing Request to the Administrative Agent (i) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Borrowing or (ii) in the case of an ABR Borrowing, not later than 9:00 a.m., New York City time, on the date of the proposed Borrowing. Each Borrowing Request shall be irrevocable and shall specify the following information in compliance with Section 2.02:

(a) the aggregate amount of such Borrowing;

(b) the date of such Borrowing, which shall be a Business Day;

(c) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;

(d) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period";

(e) the location and number of such Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.02(c); and

(f) that the conditions set forth in Sections 4.02(b)-(d) have been satisfied as of the date of the notice.

If no election as to the Type of Borrowing is specified, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Borrowing, then such Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

SECTION 2.04 Evidence of Debt; Repayment of Loans.

(a) Promise to Repay. Each Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Lender, the then unpaid principal amount of each Loan of such Lender on the Maturity Date.

(b) Subject to the other paragraphs of this Section:

(i) the Borrowers shall repay Term Loans on each date set forth below in the aggregate principal amount (as adjusted from time to time pursuant to Section 2.09(h)) set forth opposite such date (each such date being referred to as a "Term Loan Installment Date"):

Date	Amount of Term Loans to Be Repaid
March 31, 2010	$154,375
June 30, 2010	$154,375
September 30, 2010	$154,375
December 31, 2010	$154,375
March 31, 2011	$154,375
June 30, 2011	$154,375
September 30, 2011	$154,375
December 31, 2011	$154,375
March 31, 2012	$154,375
June 30, 2012	$154,375
September 30, 2012	$154,375
December 31, 2012	$154,375
March 31, 2013	$154,375
June 30, 2013	$154,375
September 30, 2013	$154,375

(ii) in the event that any Incremental Loans that constitute term loans are made pursuant to Section 2.18, the Borrowers shall repay such Incremental Loans on the dates and in the amounts set forth in the Increase Joinder.

(c) Lender and Administrative Agent Records. Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of Borrowers to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement. The Administrative Agent shall maintain accounts in which it will record (i) the amount of each Loan made hereunder, the Type and Class thereof and the Interest Period applicable thereto; (ii) the amount of any principal or interest due and payable or to become due and payable from Borrowers to each Lender hereunder; and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof. The entries made in the accounts maintained pursuant to this paragraph shall be *prima facie* evidence of the existence and amounts of the obligations therein recorded; *provided* that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligations of Borrowers to repay the Loans in accordance with their terms.

(d) Promissory Notes. Any Lender by written notice to Borrowers (with a copy to the Administrative Agent) may request that Loans of any Class made by it be evidenced by a promissory note. In such event, Borrowers shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) in the form of Exhibit G, as the case may be. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 10.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

SECTION 2.05 Fees.

(a) Administrative Agent Fees. Borrowers agree to pay to the Administrative Agent, for its own account, the administrative fees set forth in the Fee Letter or such other fees payable in the amounts and at the times separately agreed upon between Borrowers and the Administrative Agent (the "**Administrative Agent Fees**").

(b) All fees shall be paid on the dates due, in immediately available funds, to the Administrative Agent for distribution, if and as appropriate, among the Lenders. Once paid, none of the fees shall be refundable under any circumstances.

SECTION 2.06 Interest on Loans.

(a) ABR Loans. Subject to the provisions of Section 2.06(c), the Loans comprising each ABR Borrowing shall bear interest at a rate per annum equal to the Alternate Base Rate plus the Applicable Margin.

(b) Eurodollar Loans. Subject to the provisions of Section 2.06(c), the Loans comprising each Eurodollar Borrowing shall bear interest at a rate per annum equal to the Adjusted LIBOR Rate for the Interest Period in effect for such Borrowing plus the Applicable Margin.

(c) Default Rate. Notwithstanding the foregoing, during the continuance of an Event of Default, all Obligations shall, to the extent permitted by applicable law, bear interest, after as well as before judgment, at a per annum rate equal to 2% *plus* the Alternate Base Rate plus the Applicable Margin (the "**Default Rate**").

(d) Interest Payment Dates. Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan; *provided* that (i) interest accrued pursuant to Section 2.06(c) shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Loan), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurodollar Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

(e) Interest Calculation. All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate or Adjusted LIBOR Rate shall be determined by the Administrative Agent in accordance with the provisions of this Agreement and such determination shall be conclusive absent manifest error.

SECTION 2.07 [Intentionally Omitted].

SECTION 2.08 Interest Elections.

(a) Generally. Each Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, any Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Borrowing,

may elect Interest Periods therefor, all as provided in this Section. Any Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. Notwithstanding anything to the contrary, none of the Borrowers shall be entitled to request any conversion or continuation that, if made, would result in more than five Eurodollar Borrowings outstanding hereunder at any one time.

(b) Interest Election Notice. To make an election pursuant to this Section, a Borrower shall deliver, by hand delivery or telecopier, a duly completed and executed Interest Election Request to the Administrative Agent not later than the time that a Borrowing Request would be required under Section 2.03 if such Borrower were requesting a Borrowing of the Type resulting from such election to be made on the effective date of such election. Each Interest Election Request shall be irrevocable. Each Interest Election Request shall specify the following information in compliance with Section 2.03:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, or if outstanding Borrowings are being combined, allocation to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term “Interest Period.”

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then such Borrower shall be deemed to have selected an Interest Period of one month’s duration.

Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender’s portion of each resulting Borrowing.

(c) Automatic Conversion to ABR Borrowing. If an Interest Election Request with respect to a Eurodollar Borrowing is not timely delivered prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing, the Administrative Agent or the Required Lenders may require, by notice to Borrowers, that (i) no outstanding Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

SECTION 2.09 Optional and Mandatory Prepayments of Loans.

(a) Optional Prepayments. Borrowers shall have the right at any time and from time to time to prepay any Borrowing, in whole or in part, subject to the requirements of this Section 2.09; *provided* that each partial prepayment shall be in an amount that is an integral multiple of $250,000 and not less than $5.0 million.

(b) Excess Cash Flow Prepayments. Not later than 90 days after the end of each fiscal year (commencing with the fiscal year ending on December 31, 2010), the Borrower shall calculate Excess Cash Flow for such fiscal year and an amount equal to the amount by which (A) 50% of such Excess Cash Flow exceeds (B)(x) the aggregate principal amount of voluntary prepayments of Loans pursuant to Section 2.09(a) during such fiscal year, plus (y) in the case of the fiscal year ending on December 31, 2010, the aggregate principal amount of any Early Excess Cash Flow Prepayments made pursuant to Section 2.09(d) on or prior to 90 days after the end of such fiscal year, shall be applied to prepay Loans in accordance with Section 2.09(h) (each such payment, an "**Excess Cash Flow Prepayment**"); *provided*, that if the amount in clause (B) exceeds the amount in clause (A), no such prepayment of Loans shall be required.

(c) Asset Sales. Not later than three (3) Business Day following the receipt of any Net Cash Proceeds of any Asset Sale by Holdings or any of its Subsidiaries, Borrowers shall make prepayments in accordance with Sections 2.09(h) and (i) in an aggregate amount equal to 100% of such Net Cash Proceeds; *provided* that:

(i) no such prepayment shall be required under this Section 2.09(c)(i) with respect to (A) any Asset Sale permitted by Section 6.06(a), (c), (d), (e) and (f), (B) the disposition of property which constitutes a Casualty Event or (C) Asset Sales for fair market value resulting in less than $3.0 million in Net Cash Proceeds in any fiscal year; *provided* that clause (C) shall not apply in the case of any Asset Sale described in clause (b) of the definition thereof; and

(ii) so long as no Default shall then exist or would arise therefrom, such proceeds shall not be required to be so applied on such date to the extent that Borrowers shall have delivered an Officers' Certificate to the Administrative Agent on or prior to such date stating that such Net Cash Proceeds are expected to be reinvested in fixed or capital assets within 360 days following the date of such Asset Sale (which Officers' Certificate shall set forth the estimates of the proceeds to be so expended); *provided* that if all or any portion of such Net Cash Proceeds is not so reinvested within such 360-day period, such unused portion (the "**Non-Reinvested Asset Sale Proceeds**") shall be applied on the last day of such period as a mandatory prepayment as provided in this Section 2.09(c); *provided, further*, that if the property subject to such Asset Sale constituted Collateral, then all property purchased with the Net Cash Proceeds thereof pursuant to this subsection shall be made subject to the Lien of the applicable Security Documents in favor of the Collateral Agent, for its benefit and for the benefit of the other Secured Parties in accordance with Sections 5.11 and 5.12.

(d) Concurrently with the making of any Dividend pursuant to Section 6.08(d) and any Subordinated Indebtedness Payment pursuant to Section 6.11(a), in each case from any Cumulative Credit prior to the date that the first Excess Cash Flow Prepayment is required to be made pursuant to Section 2.09(b), Borrowers shall make prepayments of the outstanding Loans in accordance with Section 2.09(h) in an amount equal to the amount of such Dividend or Subordinated Indebtedness Payment, as the case may be.

(e) [Intentionally Omitted].

(f) Casualty Events. Not later than three (3) Business Day following the receipt of any Net Cash Proceeds from a Casualty Event by Holdings or any of its Subsidiaries in excess of $3.0 million, Borrowers shall do one or more of the following with the full amount of such Net Cash Proceeds: (i) make prepayments of the outstanding Loans or (ii) so long as no Default shall have occurred and be continuing, deliver an Officers' Certificate to the Administrative Agent stating that such proceeds are expected to be used to repair, replace or restore the property in respect of which such Net Cash Proceeds were paid or to reinvest in other fixed or capital assets no later than 360 days following the date of receipt thereof. To the extent any property subject to a Casualty Event generating Net Cash Proceeds in excess of $250,000 constituted Collateral under the Security Documents, the property so purchased with such Net Cash Proceeds shall be made subject to the Lien of the applicable Security Documents in accordance with Sections 5.11 and 5.12. Any portion of the Net Cash Proceeds that is not used to so repair, replace or restore the property in respect of which such Net Cash Proceeds were paid within 360 days after receipt of such Net Cash Proceeds (the "**Non-Reinvested Casualty Proceeds**") shall be applied as a repayment of the outstanding Loans pursuant to Section 2.09(h).

(g) [Intentionally Omitted].

(h) Application of Prepayments.

(i) Prepayment of the Loans: (x) from all Net Cash Proceeds pursuant to Section 2.09(c) and (f), to be applied to prepay Loans of any Class shall be applied to reduce on a pro rata basis (based on the amount of such amortization payments) the remaining scheduled amortization payments in respect of the Loans of such Class; and (y) any optional prepayments of the Loans pursuant to Section 2.09(a) shall be applied to the remaining installments thereof as directed by the Borrowers.

(ii) Prepayment of the Loans from Excess Cash Flow pursuant to Section 2.09(b) and in connection with the making of certain Dividends and Subordinated Indebtedness Payments pursuant to Section 2.09(d), to be applied to prepay Loans of any Class shall be applied (A) to reduce in order of maturity the next four unpaid quarterly scheduled amortization payments under Section 2.04(b) above in respect of the Loans of such Class, and (B) thereafter, to reduce on a pro rata basis (based on the amount of such amortization payments) the remaining scheduled amortization payments in respect of the Loans of such Class.

(iii) Prior to any repayment of any Loan or Loans hereunder, the Borrowers shall select the Borrowing or Borrowings constituting such Loan or Loans to be repaid or reduced and shall notify the Administrative Agent by telephone (confirmed by telecopy) of such selection (i) in the case of an ABR Borrowing, not later than 12:00 p.m., Local Time, one Business Day before the scheduled date of such repayment and (ii) in the case of a Eurocurrency Borrowing, not later than 12:00 p.m., Local Time, three Business Days before the scheduled date of such repayment or reduction. Any mandatory prepayment of Loans shall be applied so that the aggregate amount of such prepayment is allocated among the Term Loans and Incremental Loans, which are term loans, of each Class, if any, *pro rata* based on the aggregate principal amount of outstanding Loans of each such Class. In the case of prepayments under Section 2.09(a), the Borrowers may in their sole discretion select the Borrowing or Borrowings to be prepaid. Each repayment of a Borrowing within any Class shall be applied ratably to the Loans in such Class included in the repaid Borrowing. Notwithstanding anything to the contrary in the ***immediately***

preceding sentence, the Borrowers shall select the Borrowing or Borrowings to be repaid and shall notify the Administrative Agent by telephone (confirmed by telecopy) of such selection not later than 12:00 p.m., Local Time, on the scheduled date of such repayment. Repayments of Borrowings shall be accompanied by accrued interest on the amount repaid.

SECTION 2.10 Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(a) the Administrative Agent determines (which determination shall be final and conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBOR Rate for such Interest Period; or

(b) the Administrative Agent is advised in writing by the Required Lenders that the Adjusted LIBOR Rate for such Interest Period will not adequately and fairly reflect the cost to such Lenders of making or maintaining their Loans included in such Borrowing for such Interest Period;

then the Administrative Agent shall give written notice thereof to Borrowers and the Lenders as promptly as practicable thereafter and, until the Administrative Agent notifies Borrowers and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing shall be ineffective and (ii) if any Borrowing Request requests a Eurodollar Borrowing, such Borrowing shall be made as an ABR Borrowing.

SECTION 2.11 Yield Protection.

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in, by any Lender (except any reserve requirement reflected in the Adjusted LIBOR Rate);

(ii) subject any Lender to any tax of any kind whatsoever with respect to this Agreement, or any Eurodollar Loan made by it, or change the basis of taxation of payments to such Lender in respect thereof (except for Indemnified Taxes or Other Taxes covered by Section 2.14 and the imposition of, or any change in the rate of, any Excluded Tax payable by such Lender); or

(iii) impose on any Lender or the London interbank market any other condition, cost or expense affecting this Agreement or Eurodollar Loans made by such Lender;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan (or of maintaining its obligation to make any such Loan), or to reduce the amount of any sum received or receivable by such Lender (whether of principal, interest or any other amount), then, upon request of such Lender, Borrowers will pay to such Lender, such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender determines (in good faith, but in its sole absolute discretion) that any Change in Law affecting such Lender or any lending office of such Lender

or such Lender's holding company, if any, regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Loans made by such Lender, to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time Borrowers will pay to such Lender, as the case may be, such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section 2.11 and delivered to Borrowers shall be conclusive absent manifest error. Borrowers shall pay such Lender, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender to demand compensation pursuant to this Section 2.11 shall not constitute a waiver of such Lender's right to demand such compensation; *provided* that Borrowers shall not be required to compensate a Lender pursuant to this Section for any increased costs incurred or reductions suffered more than six months prior to the date that such Lender, as the case may be, notifies Borrowers of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the six-month period referred to above shall be extended to include the period of retroactive effect thereof) .

SECTION 2.12 Breakage Payments. In the event of (a) the payment or prepayment, whether optional or mandatory, of any principal of any Eurodollar Loan earlier than the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan earlier than the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Loan on the date specified in any notice delivered pursuant hereto or (d) the assignment of any Eurodollar Loan earlier than the last day of the Interest Period applicable thereto as a result of a request by any Borrower pursuant to Section 2.15(b), then, in any such event, Borrowers shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBOR Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the Eurodollar market. A certificate of any Lender setting forth in reasonable detail any amount or amounts that such Lender is entitled to receive pursuant to this Section 2.12 shall be delivered to Borrowers (with a copy to the Administrative Agent) and shall be conclusive and binding absent manifest error. Borrowers shall pay such Lender the amount shown as due on any such certificate within 5 days after receipt thereof.

SECTION 2.13 Payments Generally; Pro Rata Treatment; Sharing of Setoffs.

(a) Payments Generally. Borrowers shall make each payment required to be made by them hereunder or under any other Loan Document (whether of principal, interest, fees or Reimbursement Obligations, or of amounts payable under Section 2.11, 2.12, 2.14 or 10.03, or otherwise) on or before the time expressly required hereunder or under such other Loan Document for such payment (or, if no such time is expressly required, prior to 2:00 p.m., New York City time), on the date when due, in immediately available funds, without setoff, deduction or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at 301 West 11th Street, Wilmington, DE 19801, except those payments pursuant to Sections 2.11, 2.12, 2.14 and 10.03 shall be made directly to the persons entitled thereto and payments pursuant to other Loan Documents shall be made to the persons specified therein. The Administrative Agent shall distribute any such payments received by it for the account of any other person to the appropriate recipient promptly following receipt thereof. If any payment under any Loan Document shall be due on a day that is not a Business Day, unless specified otherwise, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments under each Loan Document shall be made in dollars, except as expressly specified otherwise.

(b) Insufficient Funds. If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied (i) *first*, toward payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties; and (ii) *second*, toward payment of principal then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal then due to such parties.

(c) Sharing of Set-Off. If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans or other Obligations resulting in such Lender's receiving payment of a proportion of the aggregate amount of its Loans and accrued interest thereon or other Obligations greater than its *pro rata* share thereof as provided herein, then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact; and (b) purchase (for cash at face value) participations in the Loans and such other obligations of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and other amounts owing them, *provided* that:

(i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(ii) the provisions of this paragraph shall not be construed to apply to (x) any payment made by any Borrower pursuant to and in accordance with the express terms of this Agreement or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant.

Each Loan Party consents to the foregoing and agrees, to the extent it may effectively do so under applicable Requirements of Law, that any Lender acquiring a participation pursuant to the foregoing

arrangements may exercise against such Loan Party rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Loan Party in the amount of such participation. If under applicable bankruptcy, insolvency or any similar law any Secured Party receives a secured claim in lieu of a setoff or counterclaim to which this Section 2.13(c) applies, such Secured Party shall to the extent practicable, exercise its rights in respect of such secured claim in a manner consistent with the rights to which the Secured Party is entitled under this Section 2.13(c) to share in the benefits of the recovery of such secured claim.

(d) Borrowers Default. Unless the Administrative Agent shall have received notice from any Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders hereunder that such Borrower will not make such payment, the Administrative Agent may assume that such Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders, the amount due. In such event, if such Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

(e) Lender Default. If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.02(c), 2.13(d), 2.16(d), 2.17(d), 2.17(e) or 10.03(c), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

SECTION 2.14 Taxes.

(a) Payments Free of Taxes. Any and all payments by or on account of any obligation of any Loan Party hereunder or under any other Loan Document shall be made free and clear of and without reduction or withholding for any Indemnified Taxes or Other Taxes; *provided* that if such Loan Party shall be required by applicable Requirements of Law to deduct any Indemnified Taxes (including any Other Taxes) from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent or Lender, as the case may be, receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Loan Party shall make such deductions and (iii) such Loan Party shall timely pay the full amount deducted to the relevant Governmental Authority in accordance with applicable Requirements of Law.

(b) Payment of Other Taxes by the Loan Parties. Without limiting the provisions of paragraph (a) above, the Loan Parties shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable Requirements of Law.

(c) Indemnification by the Loan Parties. The Loan Parties shall, jointly and severally, indemnify the Administrative Agent and each Lender, within 10 days after demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Administrative Agent or such Lender, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly

or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Loan Parties by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(d) Evidence of Payments. As soon as practicable after any payment of Indemnified Taxes or Other Taxes by any Loan Party to a Governmental Authority, such Loan Party shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Status of Lenders. Any Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which any Borrower is resident for tax purposes, or any treaty to which such jurisdiction is a party, with respect to payments hereunder or under any other Loan Document shall, to the extent it may lawfully do so, deliver to such Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable Requirements of Law or reasonably requested by such Borrower or the Administrative Agent, such properly completed and executed documentation prescribed by applicable Requirements of Law as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if requested by any Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable Requirements of Law or reasonably requested by such Borrower or the Administrative Agent as will enable such Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the above two sentences, in the case of non U.S. withholding taxes the completion, execution and submission of non-U.S. forms shall not be required if in the Lender's reasonable judgment such completion, execution or submission would be disadvantageous to such Lender in any material respect. Borrowers shall reimburse the Lender for any cost or expense incurred by such Lender in connection with complying with this Section 2.14(e).

(f) For any period during which, upon a written request provided by the Borrowers to a Lender reasonably in advance of the date compliance is due and describing the documentation requested by the Borrowers, such Lender has failed to provide the Borrowers with the appropriate documentation requested by Borrowers and required by Section 2.14(e), the Borrowers shall not be obligated to pay, and such Lender shall not be entitled to secure additional amounts under this Section 2.14 with respect to Indemnified Taxes imposed by a Governmental Authority to the extent that such additional amounts would not have arisen but for such failure of such Lender; *provided* that, no Lender shall be required to provide documentation unless legally permitted to do so.

(g) Treatment of Certain Refunds. If the Administrative Agent or a Lender determines, in its reasonable discretion, that it has received a refund of any Indemnified Taxes or Other Taxes as to which it has been indemnified by any Borrower or with respect to which any Borrower has paid additional amounts pursuant to this Section, it shall pay to such Borrower an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by such Borrower under this Section with respect to the Indemnified Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent or such Lender, as the case may be, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); *provided* that such Borrower, upon the request of the Administrative Agent or such Lender, agrees to repay the amount paid over to such Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent or such Lender in the event the

Administrative Agent or such Lender in the event the Administrative Agent or such Lender is required to repay such refund to such Governmental Authority. This paragraph shall not be construed to require the Administrative Agent or any Lender to make available its tax returns (or any other information relating to its taxes that it deems confidential) to any Borrower or any other person. Notwithstanding anything to the contrary, in no event will any Lender be required to pay any amount to any Borrower the payment of which would place such Lender in a less favorable net after-tax position than such Lender would have been in if the additional amounts giving rise to such refund of any Indemnified Taxes or Other Taxes had never been paid.

SECTION 2.15 Mitigation Obligations; Replacement of Lenders.

(a) Designation of a Different Lending Office. If any Lender requests compensation under Section 2.11, or requires any Borrower to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.14, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.11 or 2.14, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. Each Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment. A certificate setting forth such costs and expenses submitted by such Lender to Borrowers shall be conclusive absent manifest error.

(b) Replacement of Lenders. If any Lender requests compensation under Section 2.12, or if any Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.14, or if any Lender defaults in its obligation to fund Loans hereunder, or if any Borrower exercises its replacement rights under Section 10.02(d), then such Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 10.04), all of its interests, rights and obligations under this Agreement and the other Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); *provided* that:

(i) such Borrower shall have paid to the Administrative Agent the processing and recordation fee specified in Section 10.04(b);

(ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 2.12), from the assignee (to the extent of such outstanding principal and accrued interest and fees) or such Borrower (in the case of all other amounts);

(iii) in the case of any such assignment resulting from a claim for compensation under Section 2.12 or payments required to be made pursuant to Section 2.14, such assignment will result in a reduction in such compensation or payments thereafter; and

(iv) such assignment does not conflict with applicable Requirements of Law.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling such Borrower to require such assignment and delegation cease to apply.

SECTION 2.16 [Intentionally Omitted].

SECTION 2.17 [Intentionally Omitted].

SECTION 2.18 Increase in Commitments.

(a) Borrower Request. Borrower may by written notice to the Administrative Agent elect to request the establishment of one or more new term loan or revolving loan commitments (the "**Incremental Loan Commitments**") by an amount not in excess of $23,250,000 in the aggregate less any Indebtedness incurred pursuant to Section 6.01(k). Each such notice shall specify (i) the date (each, an "**Increase Effective Date**") on which Borrower proposes that the new Commitments shall be effective, which shall be a date not less than 10 Business Days after the date on which such notice is delivered to the Administrative Agent and (ii) the identity of each Eligible Assignee to whom Borrower proposes any portion of such new Commitments be allocated and the amounts of such allocations; *provided* that any existing Lender approached to provide all or a portion of the new Commitments may elect or decline, in its sole discretion, to provide such new Commitment.

(b) Conditions. The new Commitments shall become effective, as of such Increase Effective Date; *provided* that:

(i) each of the conditions set forth in Section 4.02 shall be satisfied;

(ii) no Default shall have occurred and be continuing or would result from the borrowings to be made on the Increase Effective Date; and

(iii) Borrower shall deliver or cause to be delivered any legal opinions or other documents reasonably requested by the Administrative Agent in connection with any such transaction.

(c) Terms of New Loans and Commitments. The terms and provisions of Loans made pursuant to the new Commitments shall be as follows:

(i) the maturity date of the new loans made pursuant to the new Commitments (each an "**Incremental Loan**") shall not be earlier than the Maturity Date and the weighted average life to maturity of any Incremental Loans that are term loans shall be no shorter than the weighted average life to maturity of the Term Loans;

(ii) the interest rate for the Incremental Loans shall be determined by Borrower and the applicable new Lenders; *provided* that if the interest rate (which shall be deemed to include all upfront or similar fees or original issue discount (with OID being equated to interest rates in a manner reasonably determined by the Administrative Agent on an assumed four-year life to maturity) and any other component of interest rate) in respect of any Incremental Loans exceeds the interest rate with respect to the Term Loans and/or previously incurred Incremental Loans, the interest rate with respect to the Term Loans and previously incurred Incremental Loans shall be automatically increased on the date of incurrence of such new

Incremental Loans so that it is equal to the interest rate with respect to the new Incremental Loans.

(iii) subject to clauses (i) and (ii) above, any Incremental Loans consisting of term loans shall have the same terms as the Term Loans (other than as to pricing, maturity and amortization); and

(iv) subject to clauses (i) and (ii) above, any Incremental Loan consisting of revolving loans shall have the same terms as the Term Loans (other than as to pricing, maturity, amortization and mechanical differences due to the revolving nature of such loans); *provided* that any such revolving loans shall require no scheduled amortization or mandatory commitment reductions prior to the Maturity Date.

The new Commitments shall be effected by a joinder agreement (the "**Increase Joinder**") executed by Borrower, the Administrative Agent and each Lender making such new Commitment, in form and substance satisfactory to each of them. The Increase Joinder may, without the consent of any other Lenders, effect such amendments to this Agreement and the other Loan Documents as may be necessary or appropriate, in the opinion of the Administrative Agent, to effect the provision of this Section 2.18 (including, without limitation, amending and restating this Agreement or any other Loan Document and mechanical changes to implement an Incremental Loan Commitment with respect to revolving loans).

(d) Making of Incremental Loans. On any Increase Effective Date on which new Commitments for Incremental Loans are effective or any day thereafter during the effectiveness of such Commitment, in the case of revolving Incremental Loan Commitments, subject to the satisfaction of the foregoing terms and conditions, if requested by the Borrowers, each Lender of such Commitment shall make an Incremental Loan to the Borrowers in an amount up to the available amount of its new Commitment.

(e) Equal and Ratable Benefit. The Loans and Commitments established pursuant to this paragraph shall constitute Loans and Commitments under, and shall be entitled to all the benefits afforded by, this Agreement and the other Loan Documents, and shall, without limiting the foregoing, benefit equally and ratably from the Guarantees and security interests created by the Security Documents. The Loan Parties shall take any actions reasonably required by the Administrative Agent to ensure and/or demonstrate that the Lien and security interests granted by the Security Documents continue to be perfected under the UCC or otherwise after giving effect to the establishment of any such Class of Incremental Loans or any such new Commitments.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Each Loan Party represents and warrants to the Administrative Agent, the Collateral Agent and each of the Lenders (with references to the Companies being references thereto after giving effect to the Transactions unless otherwise expressly stated) that:

SECTION 3.01 Organization; Powers. Each Company (a) is duly organized and validly existing under the laws of the jurisdiction of its organization, (b) has all requisite power, capacity and authority to carry on its business as now conducted and to own and lease its property and (c) is qualified and in good standing (to the extent such concept is applicable in the applicable jurisdiction) to do

business in every jurisdiction where such qualification is required, except in such jurisdictions where the failure to so qualify or be in good standing, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. There is no existing default under any Organizational Document of any Company or any event which, with the giving of notice or passage of time or both, would constitute a default by any party thereunder.

SECTION 3.02 Authorization; Enforceability. The Transactions to be entered into by each Loan Party are within such Loan Party's powers and have been duly authorized by all necessary action on the part of such Loan Party. This Agreement has been duly executed and delivered by each Loan Party and constitutes, and each other Loan Document to which any Loan Party is to be a party, when executed and delivered by such Loan Party, will constitute, a legal, valid and binding obligation of such Loan Party, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 3.03 No Conflicts. Except as set forth on Schedule 3.03, the Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except (i) such as have been obtained or made and are in full force and effect, (ii) filings necessary to perfect Liens created by the Loan Documents and (iii) consents, approvals, registrations, filings, permits or actions the failure to obtain or perform which could not reasonably be expected to result in a Material Adverse Effect, (b) will not violate the Organizational Documents of any Company, (c) will not violate any Requirement of Law, (d) will not violate or result in a default or require any consent or approval under any indenture, agreement or other instrument binding upon any Company or its property, or give rise to a right thereunder to require any payment to be made by any Company, except for violations, defaults or the creation of such rights that could not reasonably be expected to result in a Material Adverse Effect and (e) will not result in the creation or imposition of any Lien on any property of any Company, except Liens created by the Loan Documents and Permitted Liens.

SECTION 3.04 Financial Statements; Projections.

(a) Historical Financial Statements. Borrowers have heretofore delivered to the Lenders the consolidated balance sheets and related statements of income, stockholders' equity and cash flows of Holdings and its Subsidiaries (i) as of and for the fiscal years ended December 31, 2006 and 2007, audited by and accompanied by the unqualified opinion of Samil Pricewaterhouse Coopers, independent public accountants, (ii) as of and for the fiscal year ended December 31, 2008 and (iii) as of and for the six-month period ended June 30, 2009 and for the comparable period of the preceding fiscal year. Such financial statements and all financial statements delivered pursuant to Sections 5.01(a) and (b) have been prepared in accordance with GAAP (subject in the case of the interim statements to normal year-end adjustments and the absence of footnotes) and present fairly and accurately the financial condition and results of operations and cash flows of Borrowers as of the dates and for the periods to which they relate.

(b) No Liabilities. Except as set forth in the financial statements referred to in Section 3.04(a), there are no liabilities of any Company of any kind, whether accrued, contingent, absolute, determined, determinable or otherwise, which could reasonably be expected to result in a Material Adverse Effect, and there is no existing condition, situation or set of circumstances which could reasonably be expected to result in such a liability, other than liabilities under the Loan Documents. Since the Effective Date, there has been no event, change, circumstance or occurrence that, individually or in the aggregate, has had or could reasonably be expected to result in a Material Adverse Effect.

(c) [Intentionally Omitted].

(d) Forecasts. The forecasts of financial performance of Holdings and its subsidiaries furnished to the Lenders have been prepared in good faith by Borrowers and based on assumptions believed by Borrowers to be reasonable.

SECTION 3.05 Properties.

(a) Generally. Each Company has good title to, or valid leasehold interests in, all its property material to its business, free and clear of all Liens except for, in the case of Collateral, Permitted Collateral Liens and, in the case of all other material property, Permitted Liens and minor irregularities or deficiencies in title that, individually or in the aggregate, do not interfere with its ability to conduct its business as currently conducted or to utilize such property for its intended purpose. The property of the Companies, taken as a whole, (i) is in good operating order, condition and repair (ordinary wear and tear excepted) and (ii) constitutes all the property which is required for the business and operations of the Companies as presently conducted.

(b) Real Property. Schedule 3.05(b) hereto contains as of the Effective Date a true and complete list of each interest in Real Property (i) owned by any Company as of the date hereof and describes the type of interest therein held by such Company and whether such owned Real Property is leased and if leased whether the underlying Lease contains any option to purchase all or any portion of such Real Property or any interest therein or contains any right of first refusal relating to any sale of such Real Property or any portion thereof or interest therein and (ii) leased, subleased or otherwise occupied or utilized by any Company, as lessee, sublessee, franchisee or licensee, as of the date hereof and describes the type of interest therein held by such Company and, in each of the cases described in clauses (i) and (ii) of this Section 3.05(b), whether any Lease requires the consent of the landlord or tenant thereunder, or other party thereto, to the Transactions.

(c) No Casualty Event. No Company has received any notice of, nor has any knowledge of, the occurrence or pendency or contemplation of any Casualty Event affecting all or any material portion of its property or any material portion of the Collateral.

(d) Collateral. Each Company owns or has rights to use all of the Collateral and all rights with respect thereto used in, necessary for or material to each Company's business as currently conducted. The use by each Company of such Collateral and all such rights with respect to the foregoing do not infringe on the rights of any person other than such infringement which could not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. No claim has been made and remains outstanding that any Company's use of any Collateral does or may violate the rights of any third party that could, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

SECTION 3.06 Intellectual Property.

(a) Ownership/No Claims. Each Loan Party owns, or is licensed to use, all Intellectual Property, except for those the failure to own or license which, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No claim has been asserted and is pending by any person challenging or questioning the use of any such Intellectual Property or the validity or effectiveness of any such Intellectual Property, nor does any Loan Party know of any valid basis for any such claim which could reasonably be expected to have a Material Adverse Effect. The use

of such Intellectual Property by each Loan Party does not infringe the rights of any person, except for such claims and infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

(b) Registrations. Except pursuant to licenses and other user agreements entered into by each Loan Party in the ordinary course of business, on and as of the date hereof (i) each Loan Party owns and possesses the right to use, and has done nothing to authorize or enable any other person to use, any of its Intellectual Property that is material to its business and (ii) all registrations with respect to such Intellectual Property are valid and in full force and effect.

(c) No Violations or Proceedings. To each Loan Party's knowledge, on and as of the date hereof, there is no material violation by others of any right of such Loan Party with respect to any of its Intellectual Property pledged by it under the name of such Loan Party except as may be set forth on Schedule 3.06(c).

SECTION 3.07 Equity Interests and Subsidiaries.

(a) Equity Interests. Schedule 3.07(a) sets forth a list as of the Effective Date of (i) all the Subsidiaries of Holdings and their jurisdictions of organization and (ii) the number of each class of its Equity Interests authorized, and the number thereof outstanding, and the number of shares covered by all outstanding options, warrants, rights of conversion or purchase and similar rights. All Equity Interests of each Company are duly and validly issued and are fully paid and non-assessable, and, other than Holdings, are owned by Holdings, directly or indirectly through Wholly Owned Subsidiaries. All Equity Interests of Borrowers are owned directly or indirectly by Holdings through Wholly Owned Subsidiaries. Each Loan Party is the record and beneficial owner of, and has good and marketable title to, the Equity Interests pledged by it under the Security Documents, free of any and all Liens, rights or claims of other persons, except the security interest created by the Security Documents, and there are no outstanding warrants, options or other rights to purchase, or shareholder, voting trust or similar agreements outstanding with respect to, or property that is convertible into, or that requires the issuance or sale of, any such Equity Interests.

(b) No Consent of Third Parties Required. No consent of any person including any other general or limited partner, any other member of a limited liability company, any other shareholder or any other trust beneficiary is necessary or reasonably desirable (from the perspective of a secured party) in connection with the creation, perfection or first priority status of the security interest of the Collateral Agent in any Equity Interests pledged to the Collateral Agent for the benefit of the Secured Parties under the Security Agreement or the exercise by the Collateral Agent of the voting or other rights provided for in the Security Agreement or the exercise of remedies in respect thereof.

(c) Organizational Chart. An accurate organizational chart, showing the ownership structure of Holdings, Borrowers and each Subsidiary on the Effective Date, and after giving effect to the Transactions, is set forth on Schedule 3.07(c).

SECTION 3.08 Litigation; Compliance with Laws. There are no actions, suits, investigations or proceedings at law or in equity by or before any Governmental Authority now pending or, to the knowledge of any Company, threatened against or affecting any Company or any business, property or rights of any Company (i) that involve any Loan Document or any of the Transactions or (ii) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect. Except for

matters covered by Section 3.18, no Company or any of its property is in violation of, nor will the continued operation of its property as currently conducted violate, any Requirements of Law (including any zoning or building ordinance, code or approval or any building permits) or any restrictions of record or agreements affecting any Company's Real Property or is in default with respect to any Requirement of Law, where such violation or default, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect.

SECTION 3.09 Agreements. No Company is a party to any agreement or instrument or subject to any corporate or other constitutional restriction that has resulted or could reasonably be expected to result in a Material Adverse Effect. No Company is in default in any manner under any provision of any indenture or other agreement or instrument evidencing Indebtedness, or any other agreement or instrument to which it is a party or by which it or any of its property is or may be bound, where such default could reasonably be expected to result in a Material Adverse Effect, and no condition exists which, with the giving of notice or the lapse of time or both, would constitute such a default.

SECTION 3.10 Federal Reserve Regulations. No Company is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of buying or carrying Margin Stock. No part of the proceeds of any Loan will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, for any purpose that entails a violation of, or that is inconsistent with, the provisions of the regulations of the Board, including Regulation T, U or X. The pledge of the Securities Collateral pursuant to the Security Agreement does not violate such regulations.

SECTION 3.11 Investment Company Act; Public Utility Holding Company Act. No Company is (a) an "investment company" or a company "controlled" by an "investment company," as defined in, or subject to regulation under, the Investment Company Act of 1940, as amended, or (b) a "holding company," an "affiliate" of a "holding company" or a "subsidiary company" of a "holding company," as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935, as amended.

SECTION 3.12 Use of Proceeds. Borrowers shall use the proceeds of the Loans for general corporate purposes.

SECTION 3.13 Taxes. Each Company has (a) timely filed or caused to be timely filed all federal Tax Returns and all material state, local and foreign Tax Returns or materials required to have been filed by it and all such Tax Returns are true and correct in all material respects and (b) duly and timely paid, collected or remitted or caused to be duly and timely paid, collected or remitted all Taxes (whether or not shown on any Tax Return) due and payable, collectible or remittable by it and all assessments received by it, except Taxes (i) that are being contested in good faith by appropriate proceedings and for which such Company has set aside on its books adequate reserves in accordance with GAAP (and any locally applicable generally accepted accounting principles) and (ii) which could not, individually or in the aggregate, have a Material Adverse Effect. Each Company has made adequate provision in accordance with GAAP for all Taxes not yet due and payable. Each Company is unaware of any proposed or pending tax assessments, deficiencies or audits that could be reasonably expected to, individually or in the aggregate, result in a Material Adverse Effect. No Company has ever been a party to any understanding or arrangement constituting a "tax shelter" within the meaning of Section 6111(c), Section 6111(d) or Section 6662(d)(2)(C)(iii) of the Code, except as could not be reasonably expected to, individually or in the aggregate, result in a Material Adverse Effect.

SECTION 3.14 No Material Misstatements. No information, report, financial statement, certificate, Borrowing Request, exhibit or schedule furnished by or on behalf of any Company to the Administrative Agent or any Lender in connection with the negotiation of any Loan Document or included therein or delivered pursuant thereto, taken as a whole, contained or contains any material misstatement of fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were or are made, not misleading as of the date such information is dated or certified; *provided* that to the extent any such information, report, financial statement, exhibit or schedule was based upon or constitutes a forecast or projection, each Company represents only that it acted in good faith and utilized reasonable assumptions and due care in the preparation of such information, report, financial statement, exhibit or schedule.

SECTION 3.15 Labor Matters. As of the Effective Date, there are no strikes, lockouts or slowdowns against any Company pending or, to the knowledge of any Company, threatened. The hours worked by and payments made to employees of any Company subject thereto have not been in violation of the Fair Labor Standards Act of 1938, as amended, or any other applicable federal, state, local or foreign law dealing with such matters in any manner which could reasonably be expected to result in a Material Adverse Effect. All payments due from any Company, or for which any claim may be made against any Company, on account of wages and employee health and welfare insurance and other benefits, have been paid or accrued as a liability on the books of such Company except where the failure to do so could not reasonably be expected to result in a Material Adverse Effect. The consummation of the Transactions will not give rise to any right of termination or right of renegotiation on the part of any union under any collective bargaining agreement to which any Company is bound.

SECTION 3.16 Solvency. Immediately after the consummation of the Transactions to occur on the Effective Date and immediately following the making of each Loan and after giving effect to the application of the proceeds of each Loan, (a) the fair value of the properties of each Loan Party (individually and on a consolidated basis with its Subsidiaries) will exceed its debts and liabilities, subordinated, contingent or otherwise; (b) the present fair saleable value of the property of each Loan Party (individually and on a consolidated basis with its Subsidiaries) will be greater than the amount that will be required to pay the probable liability of its debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured; (c) each Loan Party (individually and on a consolidated basis with its Subsidiaries) will be able to pay its debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured; (d) each Loan Party (individually and on a consolidated basis with its Subsidiaries) will not have unreasonably small capital with which to conduct its business in which it is engaged as such business is now conducted and is proposed to be conducted following the Effective Date and (e) with respect to the UK Sales Subsidiary only, it is not "unable to pay its debts"; provided, that in this context, "unable to pay its debts" means that there are no grounds on which the UK Sales Subsidiary could be deemed unable to pay its debts (as defined in Section 123(1) of the United Kingdom Insolvency Act 1986) or on which a court could be satisfied that the value of its assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities (as such term would be construed for the purposes of Section 123(2) of the United Kingdom Insolvency Act 1986).

SECTION 3.17 Employee Benefit Plans. Each Company which is subject to ERISA and its ERISA Affiliates is in compliance in all material respects with the applicable provisions of ERISA and the Code and the regulations and published interpretations thereunder. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events, could reasonably be expected to result in material liability of any Company which is subject to ERISA or any of its ERISA Affiliates or the imposition of a Lien on any of the property of any Company which is

subject to ERISA. The present value of all accumulated benefit obligations of all underfunded Plans (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed by more than $1,000,000 the fair market value of the property of all such underfunded Plans. Using actuarial assumptions and computation methods consistent with subpart I of subtitle E of Title IV of ERISA, the aggregate liabilities of each Company which is subject to ERISA or its ERISA Affiliates to all Multiemployer Plans in the event of a complete withdrawal therefrom, as of the close of the most recent fiscal year of each such Multiemployer Plan, could not reasonably be expected to result in a Material Adverse Effect.

To the extent applicable, each Foreign Plan has been maintained in compliance in all material respects with its terms and with the requirements of any and all applicable Requirements of Law and has been maintained, where required, in good standing with applicable regulatory authorities. No Company has incurred any material obligation in connection with the termination of or withdrawal from any Foreign Plan. The present value of the accrued benefit liabilities (whether or not vested) under each Foreign Plan which is required to be funded under applicable law, determined as of the end of the most recently ended fiscal year of the respective Company on the basis of actuarial assumptions, each of which is reasonable, did not exceed the current value of the property of such Foreign Plan by an amount in excess of $1,000,000, and for each Foreign Plan which is not funded, the obligations of such Foreign Plan are properly accrued.

SECTION 3.18 Environmental Matters.

(a) Except as, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect:

(i) The Companies and their businesses, operations and Real Property are and have always been in compliance with, and the Companies have no liability under, any applicable Environmental Law;

(ii) The Companies have obtained all Environmental Permits required for the conduct of their businesses and operations, and the ownership, operation and use of their property, under Environmental Law, all such Environmental Permits are valid and in good standing, the Companies and their businesses are in compliance with all, and have not violated any, Environmental Permits and, under the currently effective business plan of the Companies, no expenditures or operational adjustments will be required in order to renew or modify such Environmental Permits during the next ten years;

(iii) There has been no Release or threatened Release of Hazardous Material on, at, under or from any Real Property or facility presently or formerly owned, leased or operated by the Companies or their predecessors in interest that could result in liability by the Companies under Environmental Law;

(iv) There is no Environmental Claim pending or, to the knowledge of the Companies, threatened against the Companies, or relating to the Real Property currently or formerly owned, leased or operated by the Companies or relating to the operations of the Companies or their predecessors in interest (including, without limitation, the transportation, treatment or disposal of any Hazardous Material at any location), and there are no actions, activities, circumstances, conditions, events or incidents (including, without limitation, any

written request for information under CERCLA or any similar Environmental Law) that could form the basis of such an Environmental Claim; and

(v) No person with an indemnity or contribution obligation to the Companies relating to compliance with or liability under Environmental Law is in default with respect to such obligation.

(b) Except as, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect:

(i) No Company is obligated to perform any action or otherwise incur any expense under Environmental Law pursuant to any order, decree, judgment or agreement by which it is bound or has assumed by contract, agreement or operation of law, and no Company is conducting or financing any Response pursuant to any Environmental Law with respect to any Real Property or any other location;

(ii) No Real Property or facility owned, operated or leased by the Companies and, to the knowledge of the Companies, no Real Property or facility formerly owned, operated or leased by the Companies or any of their predecessors in interest is (i) listed or proposed for listing on the National Priorities List promulgated pursuant to CERCLA or (ii) listed on the Comprehensive Environmental Response, Compensation and Liability Information System promulgated pursuant to CERCLA or (iii) included on any similar list maintained by any Governmental Authority including any such list relating to petroleum;

(iii) No Lien has been recorded or, to the knowledge of any Company, threatened under any Environmental Law with respect to any Real Property or property of the Companies;

(iv) The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby will not require any notification, registration, filing, reporting, disclosure, investigation, remediation or cleanup pursuant to any Governmental Real Property Disclosure Requirements or any other applicable Environmental Law; and

(v) The Companies have made available to the Lenders all material records and files in the possession, custody or control of, or otherwise reasonably available to, the Companies concerning compliance with or liability under Environmental Law, including those concerning the actual or suspected existence of Hazardous Material at Real Property or facilities currently or formerly owned, operated, leased or used by the Companies.

SECTION 3.19 Insurance. Except as could not reasonably be expected to result in a Material Adverse Effect, all insurance maintained by the Companies is in full force and effect, all premiums have been duly paid, no Company has received notice of violation or cancellation thereof, the Premises, and the use, occupancy and operation thereof, comply in all material respects with all Insurance Requirements, and there exists no default under any Insurance Requirement. Each Company has insurance in such amounts and covering such risks and liabilities as are customary for companies of a similar size engaged in similar businesses in similar locations.

SECTION 3.20 Security Documents.

(a) Security Agreement. The Security Agreement is effective to create in favor of the Collateral Agent for the benefit of the Secured Parties, legal, valid and enforceable Liens on, and security interests in, the Security Agreement Collateral and, when (i) financing statements and other filings in appropriate form are filed in the offices specified on Schedule 3.20 and (ii) upon the taking of possession or control by the Collateral Agent of the Security Agreement Collateral with respect to which a security interest may be perfected only by possession or control (which possession or control shall be given to the Collateral Agent to the extent possession or control by the Collateral Agent is required by each Security Agreement), the Liens created by the Security Agreement shall constitute fully perfected Liens on, and security interests in, all right, title and interest of the grantors thereunder in the Security Agreement Collateral (other than such security Agreement Collateral in which a security interest cannot be perfected under the UCC as in effect at the relevant time in the relevant jurisdiction), in each case subject to no Liens other than Permitted Collateral Liens.

(b) Copyright Office Filing. When the Security Agreement or a short form thereof is filed in the United States Copyright Office, the Liens created by such Security Agreement shall constitute fully perfected Liens on, and security interests in, all right, title and interest of the grantors thereunder in the Registered Copyrights and Registered Copyright Licenses (each as defined in such Security Agreement), in each case subject to no Liens other than Permitted Collateral Liens.

(c) Mortgages. Each Mortgage is effective to create, in favor of the Collateral Agent, for its benefit and the benefit of the Secured Parties, or with respect to each Mortgage executed by Korean Opco, is effective to create in favor of the Collateral Trustee, legal, valid and enforceable first priority Liens on, and security interests in, all of the Loan Parties' right, title and interest in and to the Mortgaged Properties thereunder and the proceeds thereof, subject only to Permitted Collateral Liens or other Liens acceptable to the Collateral Agent, and when the Mortgages are filed in the appropriate offices for the recording thereof, the Mortgages shall constitute fully perfected Liens on, and security interests in, all right, title and interest of the Loan Parties in the Mortgaged Properties and the proceeds thereof, in each case prior and superior in right to any other person, other than Liens permitted by such Mortgage.

(d) Valid Liens. Each Security Document delivered on or prior to the Effective Date is, and, when delivered pursuant to Sections 5.11, 5.12 or 5.13 or any other requirement of this Agreement or any Loan Document, each other Security Document will upon execution and delivery thereof be, effective to create in favor of the Collateral Agent, for the benefit of the Secured Parties, or the Collateral Trustee, as applicable, legal, valid and enforceable Liens on, and security interests in, all of the Loan Parties' right, title and interest in and to the Collateral thereunder, and when all appropriate filings or recordings are made in the appropriate offices as may be required under applicable law, or other notices given as may be required pursuant to applicable law, such Security Document will constitute fully perfected, first ranking Liens on, and security interests in, all right, title and interest of the Loan Parties in such Collateral, in each case subject to no Liens other than the applicable Permitted Collateral Liens.

SECTION 3.21 Anti-Terrorism Law.

(a) No Loan Party and, to the knowledge of the Loan Parties, none of its Affiliates is in violation of any Requirement of Law related to terrorism financing or money laundering ("**Anti-Terrorism Laws**") including the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act ("**USA PATRIOT Act**") of 2001 (Title III of Pub. L.

107-56), The Currency and Foreign Transactions Reporting Act (also known as the "Bank Secrecy Act", 31 U.S.C. §§ 5311-5330 and 12 U.S.C. §§ 1818(s), 1820(b) and 1951-1959), the Trading With the Enemy Act (50 U.S.C. § 1 et seq., as amended) and Executive Order 13224 (effective September 24, 2001) ("**Executive Order**").

(b) No Loan Party and to the knowledge of the Loan Parties, no Affiliate or broker or other agent of any Loan Party acting or benefiting in any capacity in connection with the Loans is any of the following:

(i) a person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

(ii) a person owned or controlled by, or acting for or on behalf of, any person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

(iii) a person with which any Lender is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law;

(iv) a person that commits, threatens or conspires to commit or supports "terrorism" as defined in the Executive Order; or

(v) a person that is named as a "specially designated national and blocked person" on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control ("**OFAC**") at its official website or any replacement website or other replacement official publication of such list.

(c) No Loan Party and, to the knowledge of the Loan Parties, no broker or other agent of any Loan Party acting in any capacity in connection with the Loans (i) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any person described in paragraph (b) above, (ii) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order, or (iii) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

SECTION 3.22 [Intentionally Omitted].

SECTION 3.23 UK Financial Assistance. Neither the execution, delivery or performance of any of the Loan Documents nor the incurrence of any of the Obligations by any Loan Party constitutes or will constitute unlawful financial assistance for the purposes of sections 151 to 154 (inclusive) of the United Kingdom Companies Act 1985 (as re-enacted or amended from time to time).

ARTICLE IV

CONDITIONS PRECEDENT

SECTION 4.01 Conditions to Effective Date. Subject to Section 5.13, the amendment and restatement of the Pre-Petition Credit Agreement set forth herein shall be subject to the prior or concurrent satisfaction of each of the conditions precedent set forth in this Section 4.01.

(a) Loan Documents. All legal matters incident to this Agreement, the Credit Extensions hereunder and the other Loan Documents shall be satisfactory to the Lenders and to the Administrative Agent and there shall have been delivered to the Administrative Agent an executed counterpart of each of the Loan Documents.

(b) Corporate Documents. The Administrative Agent shall have received:

(i) a certificate of the secretary or assistant secretary (or other authorized officer or member acceptable to the Administrative Agent) of each Loan Party dated the Effective Date, certifying (A) that attached thereto is a true and complete copy of each Organizational Document of such Loan Party certified (to the extent applicable) as of a recent date by the Secretary of State of the state of its organization (or other applicable Governmental Authority); (B) that attached thereto is a true and complete copy of resolutions duly adopted by the Board of Directors of such Loan Party authorizing the execution, delivery and performance of the Loan Documents to which such person is a party and, in the case of Borrowers, the borrowings hereunder, and that such resolutions have not been modified, rescinded or amended and are in full force and effect; and (C) as to the incumbency and specimen signature of each officer executing any Loan Document or any other document delivered in connection herewith on behalf of such Loan Party (together with a certificate of another officer as to the incumbency and specimen signature of the secretary or assistant secretary executing the certificate in this clause (i));

(ii) a certificate as to the good standing of each Loan Party (in so-called "long-form" if available) as of a recent date, from such Secretary of State (or other applicable Governmental Authority); and

(iii) such other documents as the Lenders or the Administrative Agent may reasonably request.

(c) Officers' Certificate. The Administrative Agent shall have received a certificate, dated the Effective Date and signed by the chief executive officer or the chief financial officer of Borrowers, confirming compliance with the conditions precedent set forth in this Section 4.01 and Sections 4.02(b), (c) and (d).

(d) Financings and Other Transactions, Etc.

(i) The Transactions shall have been consummated or shall be consummated simultaneously on the Effective Date, in each case in all material respects in accordance with the terms hereof and the terms of the Transaction Documents, without the waiver or amendment of any such terms not approved by the Lenders other than any waiver or amendment thereof that is not materially adverse to the interests of the Lenders.

(ii) The Lenders shall be satisfied with the capitalization, the terms and conditions of any equity arrangements and the corporate or other organizational structure of the Companies.

(iii) The Administrative Agent shall have received evidence in form and substance reasonably satisfactory to the Administrative Agent that all debt set forth on Schedule 4.01(d) has been extinguished or cancelled; and the Administrative Agent shall have received from any person holding any Lien securing any such debt, such UCC termination statements,

mortgage releases, releases of assignments of leases and rents, releases of security interests in Intellectual Property and other instruments, in each case, in any jurisdiction, in proper form for recording, as the Administrative Agent shall have reasonably requested to release and terminate of record the Liens securing such debt.

(e) Financial Statements; Projections. The Lenders shall have received and shall be satisfied with the form and substance of the financial statements described in Section 3.04 and with the forecasts of the financial performance of Holdings, Borrowers and their respective Subsidiaries.

(f) Indebtedness and Minority Interests. After giving effect to the Transactions and the other transactions contemplated hereby, no Company shall have outstanding any Indebtedness or Preferred Stock other than (i) the Loans and Credit Extensions hereunder; (ii) Indebtedness permitted pursuant to Section 6.01; and (iii) Indebtedness owed to any Borrower or any Guarantor.

(g) Opinions of Counsel. The Administrative Agent shall have received, on behalf of itself, the Collateral Agent, the Collateral Trustee and the Lenders a favorable written opinion of (i) DLA Piper, special counsel for the Loan Parties, in form and substance satisfactory to the Lenders, and (ii) each local and foreign counsel listed on Schedule 4.01(g), in form and substance satisfactory to the Lenders, in each case (A) dated the Effective Date; (B) addressed to Administrative Agent, the Collateral Agent, the Collateral Trustee and the Lenders; and (C) covering such other matters relating to the Loan Documents and the Transactions as the Lenders shall reasonably request.

(h) Solvency Certificate. The Lenders shall have received a solvency certificate in the form of Exhibit I, dated the Effective Date and signed by the chief financial officer of Borrowers.

(i) Requirements of Law. The Lenders shall be satisfied that Holdings, its Subsidiaries and the Transactions shall be in full compliance with all material Requirements of Law, including Regulations T, U and X of the Board, and shall have received satisfactory evidence of such compliance reasonably requested by them.

(j) Consents. The Lenders shall be satisfied that all requisite Governmental Authorities and third parties shall have approved or consented to the Transactions, and there shall be no governmental or judicial action, actual or threatened, that has or would have, singly or in the aggregate, a reasonable likelihood of restraining, preventing or imposing burdensome conditions on the Transactions or the other transactions contemplated hereby.

(k) Litigation. There shall be no litigation, public or private, or administrative proceedings, governmental investigation or other legal or regulatory developments, actual or threatened, that, singly or in the aggregate, could reasonably be expected to result in a Material Adverse Effect, or could materially and adversely affect the ability of Holdings, Borrowers and their respective Subsidiaries to fully and timely perform their respective obligations under the Transaction Documents, or the ability of the parties to consummate the financings contemplated hereby or the other Transactions.

(l) [Intentionally Omitted].

(m) Fees. The Administrative Agent shall have received all fees and other amounts due and payable on or prior to the Effective Date, including, to the extent invoiced, reimbursement or payment of all reasonable out-of-pocket expenses (including the legal fees and expenses of Latham & Watkins LLP and Skadden, Arps, Slate, Meagher & Flom LLP, special counsel to the Administrative

Agent, the legal fees and expenses of Akin Gump Strauss Hauer & Feld LLP, counsel to the Specified Lender, Latham & Watkins LLP, special counsel to certain of the Lenders, and the reasonable fees and expenses of any local counsel, foreign counsel, appraisers, consultants and other advisors) required to be reimbursed or paid by Borrowers hereunder or under any other Loan Document.

(n) Personal Property Requirements. The Collateral Agent shall have received:

(i) all certificates, agreements or instruments representing or evidencing the Securities Collateral accompanied by instruments of transfer and stock powers undated and endorsed in blank;

(ii) Intercompany Loan Documents existing as of the Effective Date accompanied by instruments of transfer, undated and endorsed in blank;

(iii) all other certificates, agreements, or instruments (excluding control agreements) necessary to perfect the Collateral Agent's and the Collateral Trustee's (as applicable) security interest in all Chattel Paper, all Instruments, all Deposit Accounts and all Investment Property of each Loan Party (as each such term is defined in the Security Agreement and to the extent required by the Security Agreement);

(iv) UCC financing statements in appropriate form for filing under the UCC, filings with the United States Patent and Trademark Office and United States Copyright Office and such other documents under applicable Requirements of Law in each jurisdiction as may be necessary or appropriate or, in the opinion of the Collateral Agent, desirable to perfect the Liens created, or purported to be created, by the Security Documents; and

(v) evidence acceptable to the Collateral Agent of payment or arrangements for payment by the Loan Parties of all applicable recording taxes, fees, charges, costs and expenses required for the recording of the Security Documents.

(o) Insurance. The Administrative Agent shall have received a copy of, or a certificate as to coverage under, the insurance policies required by Section 5.04 and the applicable provisions of the Security Documents, each of which shall be endorsed or otherwise amended to include a "standard" or "New York" lender's loss payable or mortgagee endorsement (as applicable) and shall name the Collateral Agent, on behalf of the Secured Parties, and the Collateral Trustee as additional insured, in form and substance satisfactory to the Administrative Agent.

(p) Patriot Act. Each Borrower, each Subsidiary Guarantor and Korean Opco shall have provided to each Lender the information required by Section 10.14 and such additional information as may be reasonably requested by any Lender in order to satisfy its "know your customer" and anti-money-laundering rules and regulations.

(q) Korean Law Requirements. Administrative Agent shall have received:

(i) a fully executed guarantee in form and substance satisfactory to the Administrative Agent (the "**Korean Opco Bank Guarantee**") by and between Korean Opco and the Collateral Trustee;

(ii) duly executed originals of the Korean Opco Security Documents, each in full force and effect together with all authorizations, approvals, consents and licenses necessary in

connection therewith and evidence that the same are in full force and effect (including, without limitations, such documents set forth on Schedule 1.01(a));

(iii) any and all notices, consents, letters of undertaking, certificates and other documents annexed, exhibited, appended or related to the Korean Opco Loan Documents;

(iv) a certified copy of the Articles of Incorporation of Korean Opco, as amended, modified or supplemented to the Closing Date, certified to be true, correct and complete by an authorized officer of Korean Opco;

(v) a certified copy of the resolutions of the board of directors of Korean Opco approving and authorizing the execution, delivery and performance of the Korean Opco Loan Documents to which it is a party and any other documents to be executed and delivered by Korean Opco in relation thereto;

(vi) a certificate of the representative director of Korean Opco dated the Effective Date certifying the name(s) and signature(s) of the officer(s) of Korean Opco authorized to sign the Korean Opco Loan Documents to which it is a party and the power of attorney for the execution of the Korean Opco Loan Documents;

(vii) a certified copy of the shareholders registry of Korean Opco;

(viii) the seal impression certificate of the representative director of Korean Opco executing the Korean Opco Loan Documents and all other certificates hereunder;

(ix) a certificate of the representative director of Korean Opco dated the Closing Date certifying the following: (i) the representations and warranties of Korean Opco set forth herein and in each other Loan Document to which it is a party are true and correct; (ii) no Default shall have occurred and be continuing; and (iii) the seal impressions or signatures set out beside the names of each director listed in the resolutions of the board of directors referred to in paragraph 1(b) above are the respective genuine seal impressions or signatures of such director;

(x) copies of the relevant reports and/or Approvals required under the Foreign Exchange Transaction Law of Korea or other similar laws and regulations; and

(xi) certified copies of all material approvals, consents, filings and authorizations of the Korean government authority necessary for the valid execution, delivery and performance of the Korean Opco Loan Documents, if any.

(r) Collateral Trustee Requirements. The terms and conditions of the Collateral Trust Documents shall be in form and substance satisfactory to the Administrative Agent in its sole and absolute discretion.

(s) UK Sales Subsidiary Requirements. The Administrative Agent shall have received in form and substance satisfactory to it:

(i) evidence of the appointment of an agent for service of process in the United Kingdom by the shareholder of the UK Sales Subsidiary;

(ii) a shareholder resolution of the UK Sales Subsidiary authorising the entry into of the applicable Loan Documents by the UK Sales Subsidiary; and

(iii) original signed, stamped but undated stock transfer forms and original share certificates with respect to the shares in the UK Sales Subsidiary charged pursuant to the applicable Security Document.

(t) The Administrative Agent and the Lenders shall have received the Confirmation Order.

(u) The terms and provisions of the Plan of Reorganization shall be reasonably satisfactory to the Administrative Agent and Lenders (it being acknowledged by the Administrative Agent and the Lenders that the terms and provisions of the Plan of Reorganization, dated September 24, 2009, and filed with the Bankruptcy Court on September 25, 2009, are satisfactory), and the Confirmation Order shall include such provisions with respect to the Loans as are reasonably satisfactory to the Administrative Agent and the Lenders and, providing, among other things, that the Borrowers, Holdings and the Subsidiary Guarantors shall be authorized to (i) enter into the Loan Documents, (ii) grant the Liens and security interests and incur or guarantee the Obligations under the Loan Documents and (iii) issue, execute and deliver all documents, agreements and instruments necessary or appropriate to implement and effectuate all obligations under the Loan Documents and to take all other actions necessary to implement and effectuate Borrowings under the Loan Documents. Except as consented to by the Administrative Agent and the Lenders, the Bankruptcy Court's retention of jurisdiction under the Confirmation Order shall not govern the enforcement of the Loan Documents or any rights or remedies related thereto.

(v) The Administrative Agent and the Lenders shall have received evidence, reasonably satisfactory to the Administrative Agent and the Lenders, that (i) the effective date under the Plan of Reorganization shall have occurred, the Confirmation Order shall be valid, subsisting and continuing as a Final Order and all conditions precedent to the effectiveness of the Plan of Reorganization shall have been fulfilled, or validly waived with the consent of the Lenders, including, without limitation, the execution, delivery and performance of all of the conditions thereof other than conditions that have been validly waived with the consent of the Lenders (but not including conditions consisting of the effectiveness of the Loan Documents) and (ii) no motion, action or proceeding by any creditor or other party-in-interest to the Chapter 11 Case which would adversely affect the Plan of Reorganization, the consummation of the Plan of Reorganization, the business or operations of the Borrowers, Holdings or the Subsidiary Guarantors or the transactions contemplated by the Loan Documents, as determined by the Lenders in good faith, shall be pending.

SECTION 4.02 Conditions to All Credit Extensions. The obligation of each Lender to make any Credit Extension shall be subject to, and to the satisfaction of, each of the conditions precedent set forth below.

(a) Notice. The Administrative Agent shall have received a Borrowing Request as required by Section 2.03 (or such notice shall have been deemed given in accordance with Section 2.03).

(b) No Default. Borrowers and each other Loan Party shall be in compliance in all material respects with all the terms and provisions set forth herein and in each other Loan Document on its part to be observed or performed, and, at the time of and immediately after giving effect to such Credit

Extension and the application of the proceeds thereof, no Default or Event of Default shall have occurred and be continuing on such date.

(c) Representations and Warranties. Each of the representations and warranties made by any Loan Party set forth in Article III hereof or in any other Loan Document shall be true and correct in all material respects (except that any representation and warranty that is qualified as to "materiality" or "Material Adverse Effect" shall be true and correct in all respects) on and as of the date of such Credit Extension with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date.

(d) No Legal Bar. No order, judgment or decree of any Governmental Authority shall purport to restrain any Lender from making any Loans to be made by it. No injunction or other restraining order shall have been issued, shall be pending or noticed with respect to any action, suit or proceeding seeking to enjoin or otherwise prevent the consummation of, or to recover any damages or obtain relief as a result of, the transactions contemplated by this Agreement or the making of Loans hereunder.

Each delivery of a Borrowing Request and the acceptance by Borrowers of the proceeds of such Credit Extension shall constitute a representation and warranty by Borrowers and each other Loan Party that on the date of such Credit Extension (both immediately before and after giving effect to such Credit Extension and the application of the proceeds thereof) the conditions contained in Sections 4.02(b)-(d) have been satisfied. Borrowers shall provide such information as the Administrative Agent may reasonably request to confirm that the conditions in Sections 4.02(b)-(d) have been satisfied.

ARTICLE V

AFFIRMATIVE COVENANTS

Each Loan Party warrants, covenants and agrees with each Lender that so long as this Agreement shall remain in effect and until the Commitments have been terminated and the principal of and interest on each Loan, all fees and all other expenses or amounts payable under any Loan Document shall have been paid in full, unless the Required Lenders shall otherwise consent in writing, each Loan Party will, and will cause each of its Subsidiaries to:

SECTION 5.01 Financial Statements, Reports, etc. Furnish to the Administrative Agent and each Lender:

(a) Annual Reports. As soon as available and in any event within 90 days (or such earlier date on which Holdings is required to file a Form 10-K under the Exchange Act) after the end of each fiscal year, (i) the consolidated balance sheet of Holdings as of the end of such fiscal year and related consolidated statements of income, cash flows and stockholders' equity for such fiscal year, in comparative form with such financial statements as of the end of, and for, the preceding fiscal year, and notes thereto (including, with respect to any Subsidiary of Holdings that is not a Subsidiary Guarantor, and each other Subsidiary of Holdings for which such note is required to be prepared pursuant to the requirements of applicable law or GAAP, a note with a consolidating balance sheet and financial statement of income and cash flows separating out each of such Subsidiary), all prepared in accordance with Regulation S-X if required by the Securities Act, and accompanied by an opinion of Samil Pricewaterhouse Coopers or other independent public accountants of recognized international standing satisfactory to the Administrative Agent (which opinion shall not be qualified as to scope or contain any

going concern or other qualification),stating that such financial statements fairly present, in all material respects, the consolidated financial condition, results of operations and cash flows of Holdings as of the dates and for the periods specified in accordance with GAAP; (ii) a management report in a form reasonably satisfactory to the Administrative Agent setting forth (A) statement of income items and Consolidated EBITDA of Holdings for such fiscal year, showing variance, by dollar amount and percentage, from amounts for the previous fiscal year and budgeted amounts and (B) key operational information and statistics for such fiscal year consistent with internal and industry-wide reporting standards; and (iii) a narrative report and management's discussion and analysis, in a form reasonably satisfactory to the Administrative Agent, of the financial condition and results of operations of Holdings for such fiscal year, as compared to amounts for the previous fiscal year and budgeted amounts (it being understood that the information required by clause (i) may be furnished in the form of a Form 10-K);

(b) Quarterly Reports. As soon as available and in any event within 45 days (or such earlier date on which Holdings is required to file a form 10-Q under the Exchange Act) after the end of each of the first three fiscal quarters of each fiscal year, (i) the consolidated balance sheet of Holdings as of the end of such fiscal quarter and related consolidated statements of income and cash flows for such fiscal quarter and for the then elapsed portion of the fiscal year, in comparative form with the consolidated statements of income and cash flows for the comparable periods in the previous fiscal year, and notes thereto (including, with respect to any Subsidiary of Holdings that is not a Subsidiary Guarantor, and each other Subsidiary of Holdings for which such note is required to be prepared pursuant to the requirements of applicable law or GAAP, a note with a consolidating balance sheet and financial statement of income and cash flows separating out each of such Subsidiary), all prepared in accordance with Regulation S-X under the Securities Act if required by the Securities Act and accompanied by a certificate of a Financial Officer stating that such financial statements fairly present, in all material respects, the consolidated financial condition, results of operations and cash flows of Holdings as of the date and for the periods specified in accordance with GAAP consistently applied, and on a basis consistent with audited financial statements referred to in clause (a) of this Section, subject to normal year-end audit adjustments, (ii) a management report in a form reasonably satisfactory to the Administrative Agent setting forth (A) statement of income items and Consolidated EBITDA of Holdings for such fiscal quarter and for the then elapsed portion of the fiscal year, showing variance, by dollar amount and percentage, from amounts for the comparable periods in the previous fiscal year and budgeted amounts and (B) key operational information and statistics for such fiscal quarter and for the then elapsed portion of the fiscal year consistent with internal and industry wide reporting standards and (iii) a narrative report and management's discussion and analysis, in a form reasonably satisfactory to the Administrative Agent, of the financial condition and results of operations for such fiscal quarter and the then elapsed portion of the fiscal year, as compared to the comparable periods in the previous fiscal year and budgeted amounts (it being understood that the information required by clause (i) may be furnished in the form of a Form 10-Q);

(c) Financial Officer's Certificate. (i) Concurrently with any delivery of financial statements under Section 5.01(a) or (b), a Compliance Certificate certifying that no Default has occurred or, if such a Default has occurred, specifying the nature and extent thereof and any corrective action taken or proposed to be taken with respect thereto and (ii) concurrently with any delivery of financial statements under Section 5.01(a) above, a report of the accounting firm opining on or certifying such financial statements stating that in the course of its regular audit of the financial statements of Holdings and its Subsidiaries, which audit was conducted in accordance with generally accepted auditing standards, such accounting firm obtained no knowledge that any Default insofar as it relates to financial or accounting matters has occurred or, if in the opinion of such accounting firm such a Default has occurred, specifying the nature and extent thereof;

(d) Public Reports. Promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by any Company with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission, or with any national securities exchange, or distributed to holders of its Indebtedness pursuant to the terms of the documentation governing such Indebtedness (or any trustee, agent or other representative therefor), as the case may be;

(e) Management Letters. Promptly after the receipt thereof by any Company, a copy of any "management letter" received by any such person from its certified public accountants and the management's responses thereto;

(f) Budgets. Within 60 days after the beginning of Holdings fiscal year, a budget for Holdings in form reasonably satisfactory to the Required Lenders, but to include balance sheets, statements of income and sources and uses of cash, for each month of such fiscal year prepared in detail, with appropriate presentation and discussion of the principal assumptions upon which such budgets are based, accompanied by the statement of a Financial Officer of Borrowers to the effect that the budget of Holdings is a reasonable estimate for the periods covered thereby and, promptly when available, any significant revisions of such budget;

(g) Notification to Account Debtors. Within ten (10) Business Days after the end of each month commencing with the first full month ending after the Effective Date, a certification from an authorized officer of each of (i) Korean Opco and (ii) any Sales Subsidiary having accounts owing from Japanese customers totaling in excess of $500,000, certifying that (x) all notices to Hynix Related Account Debtors that are required to be given under applicable law in order to perfect the Collateral Trustee's or the Collateral Agent's lien on any Hynix Related Receivables shall have been given to such Hynix Related Account Debtors and that each such notice contained an accurate "fixed date stamp" under applicable law indicating the date of such notice, (y) notices have been given to all other account debtors of Korean Opco or such Sales Subsidiary that (except for the affixing of a fixed date stamp thereon) are required to be given under applicable law in order to perfect the Collateral Trustee's lien on the accounts receivable of Korean Opco or the Collateral Agent's lien on accounts receivable of such Sales Subsidiary (to the extent that such accounts arise under contracts or invoices that do not prohibit the granting of such liens) shall have been given to such account debtors, and (z) confirming that Korean Opco and any such Sales Subsidiary have used their commercially reasonable efforts to ensure that no new contracts, agreements or invoices have been entered into since the Effective Date by Korean Opco or any such Sales Subsidiary prohibiting the granting of such liens. With respect to any existing contracts or invoices prohibiting the granting of liens in favor of the Collateral Trustee or the Collateral Agent on accounts receivable arising thereunder, the Borrowers shall use, and shall cause Korean Opco and/or such Sales Subsidiaries to use, commercially reasonable efforts to obtain the consent of the parties thereto to the granting of liens in favor of the Collateral Trustee or the Collateral Agent, as applicable, on such accounts receivable.

(h) Perfection Certificate Supplements. At all times prior to the continuation of a Default, upon the reasonable request of the Enforcement Lenders (but in no event, more than one time per fiscal year), and after the occurrence and during the continuation of a Default, concurrently with any delivery of financial statements under Section 5.01(b), a certificate of a Financial Officer that supplements the information set forth in the Perfection Certificate or confirming that there has been no change in such information since the date of the Perfection Certificate (after giving effect to all amendments, supplements and other modifications thereto).

(i) Other Information. Promptly, from time to time, such other information regarding the operations, business affairs and financial condition of any Company, or compliance with the terms of any Loan Document, as the Administrative Agent or any Lender may reasonably request.

SECTION 5.02 Litigation and Other Notices. Furnish to the Administrative Agent and each Lender written notice of the following promptly (and, in any event, within three Business Days of the occurrence thereof):

(a) any Default, specifying the nature and extent thereof and the corrective action (if any) taken or proposed to be taken with respect thereto;

(b) the filing or commencement of, or any threat or notice of intention of any person to file or commence, any action, suit, litigation or proceeding, whether at law or in equity by or before any Governmental Authority, (i) against any Company or any Affiliate thereof that could reasonably be expected to result in a Material Adverse Effect or (ii) with respect to any Loan Document;

(c) any development that has resulted in, or could reasonably be expected to result in a Material Adverse Effect;

(d) the occurrence of a Casualty Event with respect to property having a value individually or in the aggregate in excess of $1 million; and

(e) (i) the incurrence of any material Lien (other than Permitted Collateral Liens) on, or claim asserted against any of the Collateral or (ii) the occurrence of any other event which could materially affect the value of the Collateral.

SECTION 5.03 Existence; Businesses and Properties.

(a) Do or cause to be done all things necessary to preserve, renew and maintain in full force and effect its legal existence, except as otherwise expressly permitted under Section 6.05 or Section 6.06 or, in the case of any Subsidiary, where the failure to perform such obligations, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

(b) Do or cause to be done all things necessary to obtain, preserve, renew, extend and keep in full force and effect the rights, licenses, permits, privileges, franchises, authorizations and Intellectual Property material to the conduct of its business; maintain and operate such business in substantially the manner in which it is presently conducted and operated; comply with all material contractual obligations and all applicable Requirements of Law (including taxation, ERISA, any and all zoning, building, Environmental Law, ordinance, code or approval or any building permits or any restrictions of record or agreements affecting the Real Property) and decrees and orders of any Governmental Authority, whether now in effect or hereafter enacted, except with respect to any of the foregoing where the failure to comply, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect; pay and perform its obligations under all Transaction Documents; and at all times maintain, preserve and protect all property material to the conduct of such business and keep such property in good repair, working order and condition (other than wear and tear occurring in the ordinary course of business) and from time to time make, or cause to be made, all needful and proper repairs, renewals, additions, improvements and replacements thereto necessary in order that the business carried on in connection therewith may be properly conducted at all times; *provided* that nothing in this

Section 5.03(b) shall prevent (i) sales of property, consolidations or mergers by or involving any Company in accordance with Section 6.05 or Section 6.06; (ii) the withdrawal by any Company of its qualification as a foreign corporation in any jurisdiction where such withdrawal, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect; or (iii) the abandonment by any Company of any rights, franchises, licenses or Intellectual Property that such person reasonably determines are not useful to its business or no longer commercially desirable.

SECTION 5.04 Insurance.

(a) Generally. Keep its insurable property adequately insured at all times by financially sound and reputable insurers; maintain such other insurance, to such extent and against such risks as is customary with companies in the same or similar businesses operating in the same or similar locations, including insurance with respect to Mortgaged Properties and other properties material to the business of the Companies against such casualties and contingencies and of such types and in such amounts with such deductibles as is customary in the case of similar businesses operating in the same or similar locations, including (i) physical hazard insurance on an "all risk" basis; (ii) commercial general liability against claims for bodily injury, death or property damage covering any and all insurable claims; (iii) explosion insurance in respect of any boilers, machinery or similar apparatus constituting Collateral; (iv) business interruption insurance; (v) worker's compensation insurance and such other insurance as may be required by any Requirement of Law; and (vi) such other insurance against risks as the Administrative Agent may from time to time require (such policies to be in such form and amounts and having such coverage as may be reasonably satisfactory to the Administrative Agent and the Collateral Agent); *provided* that with respect to physical hazard insurance, neither the Collateral Agent nor the applicable Company shall agree to the adjustment of any claim thereunder without the consent of the other (such consent not to be unreasonably withheld or delayed); *provided*, *further*, that no consent of any Company shall be required during an Event of Default.

(b) Requirements of Insurance. All such insurance shall (i) provide that no cancellation, material reduction in amount or material change in coverage thereof shall be effective until at least 30 days after receipt by the Collateral Agent or the Collateral Trustee, as applicable, of written notice thereof; (ii) name the Collateral Agent or the Collateral Trustee, as applicable, as mortgagee (in the case of property insurance) or additional insured on behalf of the Secured Parties (in the case of liability insurance) or loss payee (in the case of property insurance), as applicable; (iii) if reasonably requested by the Collateral Agent or the Collateral Trustee, as applicable, include a breach of warranty clause and (iv) be reasonably satisfactory in all other respects to the Collateral Agent and the Collateral Trustee.

(c) Notice to Agents. Notify the Administrative Agent and the Collateral Agent immediately whenever any separate insurance concurrent in form or contributing in the event of loss with that required to be maintained under this Section 5.04 is taken out by any Company; and, upon request, promptly deliver to the Administrative Agent and the Collateral Agent a duplicate original copy of such policy or policies.

(d) Flood Insurance. With respect to each Mortgaged Property, to the extent the applicable property is located in a flood zone or on a flood plain and such insurance is available at reasonable commercial rates, obtain flood insurance in such total amount as the Administrative Agent or the Required Lenders may from time to time reasonably require.

(e) Broker's Report. Deliver to the Administrative Agent and the Collateral Agent and the Lenders a report of a reputable insurance broker with respect to such insurance and such supplemental reports with respect thereto as the Administrative Agent or the Collateral Agent may from time to time reasonably request.

(f) Mortgaged Properties. No Loan Party that is an owner of Mortgaged Property shall take any action that is reasonably likely to be the basis for termination, revocation or denial of any insurance coverage required to be maintained under such Loan Party's respective Mortgage or that could be the basis for a defense to any claim under any Insurance Policy maintained in respect of the Premises, and each Loan Party shall otherwise comply in all material respects with all Insurance Requirements in respect of the Premises; *provided*, *however*, that each Loan Party may, at its own expense and after written notice to the Administrative Agent, (i) contest the applicability or enforceability of any such Insurance Requirements by appropriate legal proceedings, the prosecution of which does not constitute a basis for cancellation or revocation of any insurance coverage required under this Section 5.04 or (ii) cause the Insurance Policy containing any such Insurance Requirement to be replaced by a new policy complying with the provisions of this Section 5.04.

SECTION 5.05 Obligations and Taxes.

(a) Payment of Obligations. Pay its Indebtedness and other obligations promptly and in accordance with their terms and pay and discharge promptly when due all Taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or in respect of its property, before the same shall become delinquent or in default, as well as all lawful claims for labor, services, materials and supplies or otherwise that, if unpaid, might give rise to a Lien other than a Permitted Lien upon such properties or any part thereof; *provided* that such payment and discharge shall not be required with respect to any such Indebtedness, obligation, Tax, assessment, charge, levy or claim so long as (x)(i) the validity or amount thereof shall be contested in good faith by appropriate proceedings timely instituted and diligently conducted and the applicable Company shall have set aside on its books adequate reserves or other appropriate provisions with respect thereto in accordance with GAAP and (ii) such contest operates to suspend collection of the contested Indebtedness, obligation, Tax, assessment or charge and enforcement of a Lien other than a Permitted Lien and (y) the failure to pay could not reasonably be expected to result in a Material Adverse Effect.

(b) Filing of Returns. Timely and correctly file all material Tax Returns required to be filed by it. Withhold, collect and remit all material Taxes that it is required to collect, withhold or remit.

(c) Tax Shelter Reporting. Borrowers do not intend to treat the Loans as being a "reportable transaction" within the meaning of Treasury Regulation Section 1.6011-4. In the event Borrowers determine to take any action inconsistent with such intention, it will promptly notify the Administrative Agent thereof.

SECTION 5.06 Employee Benefits. (a) Comply in all material respects with the applicable provisions of ERISA (to the extent applicable to any Company) and the Code and (b) furnish to the Administrative Agent (x) as soon as possible after, and in any event within 5 days after any Responsible Officer of any Company or any ERISA Affiliates of any Company knows or has reason to know that, any ERISA Event has occurred that, alone or together with any other ERISA Event could reasonably be expected to result in liability of the Companies or any of their ERISA Affiliates in an aggregate amount exceeding $500,000 or the imposition of a Lien, a statement of a Financial Officer of Borrowers setting

forth details as to such ERISA Event and the action, if any, that the Companies propose to take with respect thereto, and (y) upon request by the Administrative Agent, copies of (i) each Schedule B (Actuarial Information) to the annual report (Form 5500 Series) filed by any Company or any ERISA Affiliate with the Internal Revenue Service with respect to each Plan; (ii) the most recent actuarial valuation report for each Plan; (iii) all notices received by any Company or any ERISA Affiliate from a Multiemployer Plan sponsor or any governmental agency concerning an ERISA Event; and (iv) such other documents or governmental reports or filings relating to any Plan (or employee benefit plan sponsored or contributed to by any Company) as the Administrative Agent shall reasonably request. With respect to Korean Opco, Korean Opco shall ensure that all pension plans or schemes operated by or maintained for the benefit of any of its employees are, to the extent required by applicable law, fully funded based on reasonable actuarial assumptions and recommendations and otherwise are operated or maintained in all material respects as required by Korean law.

SECTION 5.07 Maintaining Records; Access to Properties and Inspections; Annual Meetings.

(a) Keep proper books of record and account in which full, true and correct entries in conformity with GAAP and all Requirements of Law are made of all dealings and transactions in relation to its business and activities. Each Company will permit any representatives designated by the Administrative Agent or any Lender to visit such Company's offices and facilities to inspect the financial records and the property of such Company at reasonable times and as often as reasonably requested and to make extracts from and copies of such financial records, and permit any representatives designated by the Administrative Agent or any Lender to discuss the affairs, finances, accounts and condition of any Company with the officers and employees thereof and advisors therefor (including independent accountants).

(b) Within 150 days after the end of each fiscal year of the Companies, at the request of the Administrative Agent or Supermajority Lenders, hold a meeting (at a mutually agreeable location, venue and time or, at the option of the Administrative Agent, by conference call, the costs of such venue or call to be paid by Borrowers) with all Lenders who choose to attend such meeting, at which meeting shall be reviewed the financial results of the previous fiscal year and the financial condition of the Companies and the budgets presented for the current fiscal year of the Companies.

SECTION 5.08 Use of Proceeds. Use the proceeds of the Loans only for the purposes set forth in Section 3.12.

SECTION 5.09 Compliance with Environmental Laws; Environmental Reports.

(a) Comply, and cause all lessees and other persons occupying Real Property owned, operated or leased by any Company to comply, in all material respects with all Environmental Laws and Environmental Permits applicable to its operations and Real Property; obtain and renew all material Environmental Permits applicable to its operations and Real Property; and conduct all Responses required by, and in accordance with, Environmental Laws; *provided* that no Company shall be required to undertake any Response to the extent that its obligation to do so is being contested in good faith and by proper proceedings and appropriate reserves are being maintained with respect to such circumstances in accordance with GAAP.

(b) If a Default caused by reason of a breach of Section 3.18 or Section 5.09(a) shall have occurred and be continuing for more than 20 days without the Companies commencing activities reasonably likely to cure such Default, at the written request of the Administrative Agent or the Supermajority Lenders through the Administrative Agent, provide to the Lenders within 45 days after such request, at the expense of Borrowers, an environmental assessment report regarding the matters which are the subject of such Default, including, where appropriate, any soil and/or groundwater sampling, prepared by an environmental consulting firm and, in the form and substance, reasonably acceptable to the Administrative Agent and indicating the presence or absence of Hazardous Materials and the estimated cost of any compliance or Response to address them.

(c) Each Loan Party that is an owner of Mortgaged Property shall not install nor permit to be installed in the Mortgaged Property any Hazardous Materials, other than in compliance with applicable Environmental Laws.

SECTION 5.10 Additional Collateral; Additional Guarantors.

(a) Subject to this Section 5.10, with respect to any property acquired, created or developed (including, without limitation, the filing of any application or registration or issuance of any Intellectual Property) after the Effective Date by any Loan Party with a value in excess of $250,000 (individually or in the aggregate for all such property) that is intended to be subject to the Lien created by any of the Security Documents but is not so subject, promptly (and in any event within 30 days after the acquisition thereof) (i) execute and deliver to the Administrative Agent and the Collateral Agent (or the Collateral Trustee, as the case may be) such amendments or supplements to the relevant Security Documents or such other documents as the Administrative Agent or the Collateral Agent (or the Collateral Trustee, as the case may be) shall deem necessary or advisable to grant to the Collateral Agent (or the Collateral Trustee, as the case may be), for its benefit and for the benefit of the other Secured Parties, a Lien on such property subject to no Liens other than Permitted Collateral Liens and (ii) take all actions necessary to cause such Lien to be duly perfected to the extent required by such Security Document in accordance with all applicable Requirements of Law, including the filing of financing statements in such jurisdictions as may be reasonably requested by the Administrative Agent. Borrowers shall otherwise take such actions and execute and/or deliver to the Collateral Agent (or the Collateral Trustee, as the case may be) such documents as the Administrative Agent or the Collateral Agent (or the Collateral Trustee, as the case may be) shall require to confirm the validity, perfection and priority of the Lien of the Security Documents against such after-acquired properties. The Loan Parties shall not be required to take any actions pursuant to this Section 5.10 if the Administrative Agent shall determine in the exercise of its reasonable discretion that the costs of obtaining Liens on any property as otherwise required by this Section 5.10 are excessive in relation to the value of such property. In addition, neither Korean Opco nor any Subsidiary described in Section 5.01(g) shall be required to affix a “fixed date stamp” to any notification sent to any account debtor (other than as contemplated by Section 5.01(g)).

(b) With respect to any person that is or becomes a Subsidiary of either Borrower or Holdings after the Effective Date, promptly (and in any event within 30 days after such person becomes a Subsidiary of either Borrower or Holdings) (i) deliver to the Collateral Agent (or the Collateral Trustee, as the case may be) the certificates, if any, representing all of the Equity Interests of such Subsidiary, together with undated stock powers or other appropriate instruments of transfer executed and delivered in blank by a duly authorized officer of the holder(s) of such Equity Interests, and all intercompany notes owing from such Subsidiary to any Loan Party together with instruments of transfer executed and delivered in blank by a duly authorized officer of such Loan Party and (ii) cause such new Subsidiary (A) to execute a Joinder Agreement or such comparable documentation to become a Subsidiary Guarantor

(to the extent permitted under applicable law) and a joinder agreement to the applicable Security Agreement, substantially in the form annexed thereto or, in the case of a Foreign Subsidiary, execute (to the extent permitted by applicable law) a security agreement compatible with the laws of such Foreign Subsidiary's jurisdiction in form and substance reasonably satisfactory to the Administrative Agent, and (B) to take all actions necessary or advisable in the opinion of the Administrative Agent or the Collateral Agent to cause the Lien created by the applicable Security Agreement to be duly perfected to the extent required by such agreement in accordance with all applicable Requirements of Law, including the filing of financing statements in such jurisdictions as may be reasonably requested by the Administrative Agent or the Collateral Agent.

(c) Promptly grant to the Collateral Agent (or the Collateral Trustee, as the case may be), in each case to the extent permitted by applicable law, within 60 days of the acquisition thereof, a security interest in and Mortgage on (i) each Real Property owned in fee by such Loan Party as is acquired by such Loan Party after the Effective Date and that, together with any improvements thereon, individually has a fair market value of at least $1.0 million, and (ii) unless the Collateral Agent otherwise consents or such Mortgage cannot be obtained after the use of commercially reasonable efforts, each leased Real Property of such Loan Party, which lease individually has a fair market value of at least $1.0 million, in each case, as additional security for the Secured Obligations (unless the subject property is already mortgaged to a third party to the extent permitted by Section 6.02). Such Mortgages shall be granted pursuant to documentation reasonably satisfactory in form and substance to the Administrative Agent and the Collateral Agent (and, if applicable, the Collateral Trustee) and shall constitute valid and enforceable perfected Liens subject only to Permitted Collateral Liens or other Liens acceptable to the Collateral Agent. The Mortgages or instruments related thereto shall be duly recorded or filed in such manner and in such places as are required by law to establish, perfect, preserve and protect the Liens in favor of the Collateral Agent (or the Collateral Trustee, as the case may be) required to be granted pursuant to the Mortgages and all taxes, fees and other charges payable in connection therewith shall be paid in full. Such Loan Party shall otherwise take such actions and execute and/or deliver to the Collateral Agent (or the Collateral Trustee, as the case may be) such documents as the Administrative Agent or the Collateral Agent (or the Collateral Trustee, as the case may be) shall require to confirm the validity, perfection and priority of the Lien of any existing Mortgage or new Mortgage against such after-acquired Real Property (including a title policy, if available in the opinion of the Administrative Agent on commercially reasonable terms, a Survey, if customarily obtained in the jurisdiction where such Real Property is located and available in the opinion of the Administrative Agent on commercially reasonable terms, and local counsel opinion (in form and substance reasonably satisfactory to the Administrative Agent) in respect of such Mortgage).

(d) Notwithstanding anything to the contrary set forth in this Section 5.10, Subsidiaries of Holdings that have assets having a fair value of less than $500,000 individually (but not to exceed $5,000,000 for all such Subsidiaries covered by this clause (d)) shall not be required to become a Subsidiary Guarantor pursuant to the requirements of, or grant the liens and security interest contemplated by, this Section 5.10.

(e) Notwithstanding anything to the contrary herein or in any Loan Document, no Loan Party shall be required to deliver control agreements over deposit accounts or securities accounts.

SECTION 5.11 Security Interests; Further Assurances. Promptly, upon the reasonable request of the Administrative Agent, the Collateral Agent, the Collateral Trustee or any Lender, at Borrowers' expense, execute, acknowledge and deliver, or cause the execution, acknowledgment and delivery of, and thereafter register, file or record, or cause to be registered, filed or recorded, in an

appropriate governmental office, any document or instrument supplemental to or confirmatory of the Security Documents or otherwise deemed by the Administrative Agent, the Collateral Agent or the Collateral Trustee reasonably necessary or desirable for the continued validity, perfection and priority of the Liens on the Collateral covered thereby subject to no other Liens except as permitted hereby or by the applicable Security Document, or use commercially reasonable efforts to obtain any consents or waivers as may be necessary or appropriate in connection therewith. Deliver or cause to be delivered to the Administrative Agent, the Collateral Agent and the Collateral Trustee from time to time such other documentation, consents, authorizations, approvals and orders in form and substance reasonably satisfactory to the Administrative Agent, the Collateral Trustee and the Collateral Agent as the Administrative Agent, the Collateral Trustee and the Collateral Agent shall reasonably deem necessary to perfect or maintain the Liens on the Collateral pursuant to the Security Documents (and, in the case of any security governed by the laws of England and Wales, preserve, establish or otherwise evidence the fixed nature of such security). Upon the exercise by the Administrative Agent, the Collateral Agent, the Collateral Trustee or any Lender of any power, right, privilege or remedy pursuant to any Loan Document which requires any consent, approval, registration, qualification or authorization of any Governmental Authority execute and deliver all applications, certifications, instruments and other documents and papers that the Administrative Agent, the Collateral Agent, the Collateral Trustee or such Lender may reasonably require. If the Administrative Agent, the Collateral Agent, the Collateral Trustee or the Required Lenders determine that they are required by a Requirement of Law to have appraisals prepared in respect of the Real Property of any Loan Party constituting Collateral, Borrowers shall provide to the Administrative Agent appraisals that satisfy the applicable requirements of the Real Estate Appraisal Reform Amendments of FIRREA and are otherwise in form and substance reasonably satisfactory to the Administrative Agent, the Collateral Agent and the Collateral Trustee. Each Loan Party also agrees to promptly notify the Collateral Agent and the Collateral Trustee (if applicable) of any change in the location of any office in which it maintains books or records relating to Collateral owned by it or any office or facility at which Collateral having a value in excess of $250,000 is located (including the establishment of any such new office or facility), other than changes in location to a Mortgaged Property or a leased property subject to a landlord access agreement, in form and substance reasonably satisfactory to the Supermajority Lenders.

SECTION 5.12 Information Regarding Collateral.

Not effect any change (i) in any Loan Party's legal name; (ii) in the location of any Loan Party's chief executive office; (iii) in any Loan Party's identity or organizational structure, (iv) in any Loan Party's Federal Taxpayer Identification Number or organizational identification number, if any; or (v) in any Loan Party's jurisdiction of organization (in each case, including by merging with or into any other entity, reorganizing, dissolving, liquidating, reorganizing or organizing in any other jurisdiction), until (A) it shall have given the Collateral Agent, the Collateral Trustee and the Administrative Agent and the Collateral Trustee not less than 30 days' prior written notice (in the form of an Officers' Certificate), or such lesser notice period agreed to by the Collateral Agent or the Collateral Trustee (as applicable), of its intention so to do, clearly describing such change and providing such other information in connection therewith as the Collateral Agent, the Administrative Agent or the Collateral Trustee (as applicable) may reasonably request and (B) it shall have taken all action reasonably satisfactory to the Collateral Agent or the Collateral Trustee (as applicable) to maintain the perfection and priority of the security interest of the Collateral Agent for the benefit of the Secured Parties or the Collateral Trustee in the Collateral, if applicable. Each Loan Party agrees to promptly provide the Collateral Agent and the Collateral Trustee, if applicable, with certified Organizational Documents reflecting any of the changes described in the preceding sentence.

SECTION 5.13 Post-Closing Collateral Matters. Execute and deliver the documents and complete the tasks set forth on Schedule 5.13, in each case within the time limits specified on such schedule.

SECTION 5.14 Affirmative Covenants with Respect to Leases. With respect to each Lease, the respective Loan Party shall perform all the obligations imposed upon the landlord under such Lease and enforce all of the tenant's obligations thereunder, except where the failure to so perform or enforce could not reasonably be expected to result in a Material Adverse Effect.

ARTICLE VI

NEGATIVE COVENANTS

Each Loan Party warrants, covenants and agrees with each Lender that, so long as this Agreement shall remain in effect and until the Commitments have been terminated and the principal of and interest on each Loan, all fees and all other expenses or amounts payable under any Loan Document have been paid in full, unless the Required Lenders shall otherwise consent in writing, no Loan Party will, nor will it cause or permit any Subsidiaries to:

SECTION 6.01 Indebtedness. Incur, create, assume or permit to exist, directly or indirectly, any Indebtedness, except:

(a) Indebtedness incurred under this Agreement and the other Loan Documents;

(b) (i) Indebtedness outstanding on the Effective Date and (ii) refinancings or renewals thereof; *provided* that (A) any such refinancing Indebtedness is in an aggregate principal amount not greater than the aggregate principal amount of the Indebtedness being renewed or refinanced, *plus* the amount of any premiums required to be paid thereon and reasonable fees and expenses associated therewith, (B) such refinancing Indebtedness has a later or equal final maturity and longer or equal weighted average life than the Indebtedness being renewed or refinanced and (C) the covenants, events of default, subordination and other provisions thereof (including any guarantees thereof) shall be, in the aggregate, no less favorable to the Lenders than those contained in the Indebtedness being renewed or refinanced;

(c) Indebtedness under Hedging Obligations with respect to interest rates, foreign currency exchange rates or commodity prices, in each case not entered into for speculative purposes; *provided* that if such Hedging Obligations relate to interest rates, (i) such Hedging Obligations relate to payment obligations on Indebtedness otherwise permitted to be incurred by the Loan Documents and (ii) the notional principal amount of such Hedging Obligations at the time incurred does not exceed the principal amount of the Indebtedness to which such Hedging Obligations relate;

(d) Indebtedness permitted by Section 6.04(f);

(e) Indebtedness in respect of Purchase Money Obligations and Capital Lease Obligations, and refinancings or renewals thereof, in an aggregate amount not to exceed $25.0 million at any time outstanding;

(f) Indebtedness in respect of bid, performance or surety bonds, workers' compensation claims, self-insurance obligations and bankers acceptances issued for the account

of any Company in the ordinary course of business, including guarantees or obligations of any Company with respect to letters of credit supporting such bid, performance or surety bonds, workers' compensation claims, self-insurance obligations and bankers acceptances (in each case other than for an obligation for money borrowed);

(g) Contingent Obligations of any Loan Party in respect of Indebtedness otherwise permitted under this Section 6.01;

(h) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business; *provided*, *however*, that such Indebtedness is extinguished within five Business Days of incurrence;

(i) Indebtedness arising in connection with endorsement of instruments for deposit in the ordinary course of business;

(j) unsecured Indebtedness of any Company in an aggregate amount not to exceed $30.0 million at any time outstanding;

(k) secured or unsecured Indebtedness of any Company up to an amount equal to $23,250,000 less any Incremental Loans incurred after the Effective Date; *provided* that if such Indebtedness is secured by Collateral, it may be secured either on a junior basis or on an equal and ratable basis with the Secured Obligations, in each case, subject to intercreditor arrangements reasonably satisfactory to the Supermajority Lenders; *provided further* that if the interest rate (which shall be deemed to include all upfront or similar fees or original issue discount (with OID being equated to interest rates in a manner reasonably determined by the Administrative Agent on an assumed four-year life to maturity) and any other component of interest rate) in respect of any such Indebtedness that is secured by Collateral on an equal and ratable basis with the Secured Obligations exceeds the interest rate with respect to the Term Loans and/or previously incurred Incremental Loans, the interest rate with respect to the Term Loans and previously incurred Incremental Loans shall be increased so that it is equal to the interest rate with respect to such Indebtedness; and

(l) other Indebtedness of any Company; *provided* that, if such Indebtedness is secured by Collateral, it may be secured on a junior basis with the Secured Obligations subject to intercreditor arrangements reasonably satisfactory to the Supermajority Lenders; *provided further* that, after giving effect to such Indebtedness, on a Pro Forma Basis, the Total Leverage Ratio shall be no more than 3.0 to 1.0.

SECTION 6.02 Liens. Create, incur, assume or permit to exist, directly or indirectly, any Lien on any property now owned or hereafter acquired by it or on any income or revenues or rights in respect of any thereof, except the following (collectively, the "**Permitted Liens**"):

(a) inchoate Liens for taxes, assessments or governmental charges or levies not yet due and payable or delinquent and Liens for taxes, assessments or governmental charges or levies, which are being contested in good faith by appropriate proceedings for which adequate reserves have been established in accordance with GAAP, which proceedings (or orders entered in connection with such proceedings) have the effect of preventing the forfeiture or sale of the property subject to any such Lien;

(b) Liens in respect of property of any Company imposed by Requirements of Law, which were incurred in the ordinary course of business and do not secure Indebtedness for borrowed money, such as carriers', warehousemen's, materialmen's, landlords', workmen's, suppliers', repairmen's and mechanics' Liens and other similar Liens arising in the ordinary course of business, and (i) which do not in the aggregate materially detract from the value of the property of the Companies, taken as a whole, and do not materially impair the use thereof in the operation of the business of the Companies, taken as a whole and (ii) which, if they secure obligations that are then due and unpaid, are being contested in good faith by appropriate proceedings for which adequate reserves have been established in accordance with GAAP, which proceedings (or orders entered in connection with such proceedings) have the effect of preventing the forfeiture or sale of the property subject to any such Lien;

(c) any Lien in existence on the Effective Date and any Lien granted as a replacement or substitute therefor; *provided* that any such replacement or substitute Lien (i) except as permitted by Section 6.01(b)(ii)(A), does not secure an aggregate amount of Indebtedness, if any, greater than that secured on the Effective Date and (ii) does not encumber any property other than the property subject thereto on the Effective Date (any such Lien, an "**Existing Lien**");

(d) easements, rights-of-way, restrictions (including zoning restrictions), covenants, licenses, encroachments, protrusions and other similar charges or encumbrances, and minor title deficiencies on or with respect to any Real Property, in each case whether now or hereafter in existence, not (i) securing Indebtedness; (ii) individually or in the aggregate materially impairing the value or marketability of such Real Property; or (iii) individually or in the aggregate materially interfering with the ordinary conduct of the business of the Companies at such Real Property;

(e) Liens arising out of judgments, attachments or awards not resulting in a Default and in respect of which such Company shall in good faith be prosecuting an appeal or proceedings for review in respect of which there shall be secured a subsisting stay of execution pending such appeal or proceedings;

(f) Liens (other than any Lien imposed by ERISA) (x) imposed by Requirements of Law or deposits made in connection therewith in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security legislation, (y) incurred in the ordinary course of business to secure the performance of tenders, statutory obligations (other than excise taxes), surety, stay, customs and appeal bonds, statutory bonds, bids, leases, government contracts, trade contracts, performance and return of money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money) or (z) arising by virtue of deposits made in the ordinary course of business to secure liability for premiums to insurance carriers; *provided* that (i) with respect to clauses (x), (y) and (z) of this paragraph (f), such Liens are for amounts not yet due and payable or delinquent or, to the extent such amounts are so due and payable, such amounts are being contested in good faith by appropriate proceedings for which adequate reserves have been established in accordance with GAAP, which proceedings for orders entered in connection with such proceedings have the effect of preventing the forfeiture or sale of the property subject to any such Lien and (ii) to the extent such Liens are not imposed by Requirements of Law, such Liens shall in no event encumber any property other than cash and Cash Equivalents;

(g) Leases of the properties of any Company, in each case entered into in the ordinary course of such Company's business so long as such Leases are subordinate in all respects to the Liens granted and evidenced by the Security Documents and do not, individually or in the aggregate, (i) interfere in any material respect with the ordinary conduct of the business of any Company or (ii) materially impair the use (for its intended purposes) or the value of the property subject thereto;

(h) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into by any Company in the ordinary course of business in accordance with the past practices of such Company;

(i) Liens securing Indebtedness incurred pursuant to Section 6.01(e); *provided* that any such Liens attach only to the property being financed pursuant to such Indebtedness and do not encumber any other property of any Company;

(j) bankers' Liens, rights of setoff and other similar Liens existing solely with respect to cash and Cash Equivalents on deposit in one or more accounts maintained by any Company, in each case granted in the ordinary course of business in favor of the bank or banks with which such accounts are maintained, securing amounts owing to such bank with respect to cash management and operating account arrangements, including those involving pooled accounts and netting arrangements; *provided* that, unless such Liens are non-consensual and arise by operation of law, in no case shall any such Liens secure (either directly or indirectly) the repayment of any Indebtedness;

(k) Liens on property of a person existing at the time such person is acquired or merged with or into or consolidated with any Company to the extent permitted hereunder (and not created in anticipation or contemplation thereof); *provided* that such Liens do not extend to property not subject to such Liens at the time of acquisition (other than improvements thereon) and are no more favorable to the lienholders than such existing Lien;

(l) (x) Liens granted pursuant to the Security Documents to secure the Secured Obligations, (y) Liens securing Indebtedness permitted to be incurred pursuant to Section 6.01(k), which may extend to Collateral on either a junior basis or an equal and ratable basis with the Secured Obligations, in each case, subject to intercreditor arrangements reasonably satisfactory to the Supermajority Lenders, and (z) Liens securing Indebtedness permitted to be incurred pursuant to Section 6.01(l), so long as such Liens, to the extent covering Collateral, are junior to the liens granted pursuant to the Security Documents, subject to intercreditor arrangements reasonably satisfactory to the Supermajority Lenders;

(m) licenses of Intellectual Property granted by any Company in the ordinary course of business and not interfering in any material respect with the ordinary conduct of business of the Companies;

(n) the filing of UCC financing statements solely as a precautionary measure in connection with operating leases or consignment of goods; and

(o) Liens with respect to obligations that do not in the aggregate exceed $5.0 million at any time outstanding, so long as, other than any such Liens securing obligations of up to $1.0

million, such Liens to the extent covering any Collateral are junior to the Liens granted pursuant to the Security Documents.

SECTION 6.03 Sale and Leaseback Transactions. Enter into any arrangement, directly or indirectly, with any person whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property which it intends to use for substantially the same purpose or purposes as the property being sold or transferred (a "**Sale and Leaseback Transaction**") unless (i) the sale of such property is permitted by Section 6.06 and (ii) any Liens arising in connection with its use of such property are permitted by Section 6.02.

SECTION 6.04 Investment, Loan and Advances. Directly or indirectly, lend money or credit (by way of guarantee or otherwise) or make advances to any person, or purchase or acquire any stock, bonds, notes, debentures or other obligations or securities of, or any other interest in, or make any capital contribution to, any other person, or purchase or own a futures contract or otherwise become liable for the purchase or sale of currency or other commodities at a future date in the nature of a futures contract (all of the foregoing, collectively, "**Investments**"), except that the following shall be permitted:

(a) the Companies may consummate the Transactions in accordance with the provisions of the Transaction Documents;

(b) Investments outstanding on the Effective Date;

(c) the Companies may (i) acquire and hold accounts receivables owing to any of them if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary terms, (ii) invest in, acquire and hold cash and Cash Equivalents, (iii) endorse negotiable instruments held for collection in the ordinary course of business or (iv) make lease, utility and other similar deposits in the ordinary course of business;

(d) Hedging Obligations incurred pursuant to Section 6.01(ç);

(e) loans and advances to directors, employees and officers of any Borrower and any of its Subsidiaries for *bona fide* business purposes and to purchase Equity Interests of Holdings, in aggregate amount not to exceed $1.0 million at any time outstanding;

(f) Investments by any Company in any other Company; *provided* that (i) any Investment in the form of a loan or advance to any such Company (whether or not a Subsidiary Guarantor) shall be pledged as Collateral pursuant to the Security Documents, (ii) to the extent any such loans or advances in an amount exceeding $500,000 (individually or in the aggregate) is evidenced by an Intercompany Loan Document, such Intercompany Loan Document shall be delivered to the Collateral Agent, accompanied by instruments of transfer, undated and endorsed in blank, and (iii) the equity interests of any Subsidiary of Holdings into which any such Investment is made shall be pledged as additional security for the Secured Obligations pursuant to the Security Documents;

(g) Investments in securities of trade creditors or customers in the ordinary course of business received upon foreclosure or pursuant to any plan of reorganization or liquidation or similar arrangement upon the bankruptcy or insolvency of such trade creditors or customers;

(h) Investments made by any Borrower or any Subsidiary as a result of consideration received in connection with an Asset Sale made in compliance with Section 6.06;

(i) Investments constituting Contingent Obligations permitted by Section 6.01;

(j) Investments constituting Permitted Acquisitions; and

(k) other investments in an aggregate amount not to exceed $10.0 million at any time outstanding.

Notwithstanding anything to the contrary set forth in this Section 6.04, Investments in Non-Guarantor Subsidiaries will not be deemed permitted under this Section 6.04 if the aggregate value of (i) all Investments in such Non-Guarantor Subsidiaries (the value of which is measured at the time of such Investment) and (ii) all transfers of assets to such Non-Guarantor Subsidiaries (the value of which is measured at the time of such transfers of assets) exceeds an amount equal to 20% of the Total Assets of Holdings and its Subsidiaries that are Subsidiary Guarantors.

SECTION 6.05 Mergers and Consolidations. Wind up, liquidate or dissolve its affairs or enter into any transaction of merger or consolidation (or agree to do any of the foregoing at any future time), except that the following shall be permitted:

(a) the Transactions as contemplated by the Transaction Documents;

(b) Asset Sales in compliance with Section 6.06;

(c) acquisitions in compliance with Section 6.07;

(d) (i) any Company may merge or consolidate with or into any Borrower or any Subsidiary Guarantor (as long as such Borrower is the surviving person in the case of any merger or consolidation involving such Borrower and a Subsidiary Guarantor is the surviving person and remains a Wholly Owned Subsidiary of Holdings in any other case); (ii) any Non-Subsidiary Guarantor may merge or consolidate with any other Non-Subsidiary Guarantor; and (iii) any Subsidiary of Holdings organized under the laws of the United States or any political subdivision thereof may merge with Holdings (so long as Holdings is the surviving person) or any other such Subsidiary organized under such laws (so long as the surviving person is a Subsidiary Guarantor); *provided* that in the case of each of clauses (i), (ii) and (iii), the Lien on and security interest in such property granted or to be granted in favor of the Collateral Agent under the Security Documents shall be maintained or created in accordance with the provisions of Section 5.10 or Section 5.11, as applicable; and

(e) any Subsidiary may dissolve, liquidate or wind up its affairs at any time; *provided* that such dissolution, liquidation or winding up, as applicable, could not reasonably be expected to have a Material Adverse Effect.

To the extent the Required Lenders waive the provisions of this Section 6.05 with respect to the sale of any Collateral, or any Collateral is sold as permitted by this Section 6.05, such Collateral (unless sold to a Company) shall be sold free and clear of the Liens created by the Security Documents, and the Agents shall take all actions they deem appropriate in order to effect the foregoing.

SECTION 6.06 Asset Sales. Effect any Asset Sale, or agree to effect any Asset Sale, except that the following shall be permitted:

(a) disposition of used, worn out, obsolete or surplus property by any Company in the ordinary course of business and the abandonment or other disposition of Intellectual Property that is, in the reasonable judgment of Borrowers, no longer economically practicable to maintain or useful in the conduct of the business of the Companies taken as a whole;

(b) Asset Sales; *provided* that the aggregate consideration received in respect of all Asset Sales pursuant to this clause (b) shall not exceed $10.0 million in any four consecutive fiscal quarters of Borrowers;

(c) leases of real or personal property in the ordinary course of business and in accordance with the applicable Security Documents;

(d) the Transactions as contemplated by the Transaction Documents;

(e) mergers and consolidations in compliance with Section 6.05; and

(f) Investments in compliance with Section 6.04.

To the extent the Required Lenders waive the provisions of this Section 6.06 with respect to the sale of any Collateral, or any Collateral is sold as permitted by this Section 6.06, such Collateral (unless sold to a Company) shall be sold free and clear of the Liens created by the Security Documents, and the Agents shall take all actions they deem appropriate in order to effect the foregoing.

SECTION 6.07 Acquisitions. Purchase or otherwise acquire (in one or a series of related transactions) any part of the property (whether tangible or intangible) of any person (or agree to do any of the foregoing at any future time), except that the following shall be permitted:

(a) Capital Expenditures by Borrowers and their Subsidiaries shall be permitted;

(b) purchases and other acquisitions of inventory, materials, equipment and intangible property in the ordinary course of business and licenses of Intellectual Property in the ordinary course of business;

(c) Investments in compliance with Section 6.04;

(d) leases of real or personal property in the ordinary course of business and in accordance with the applicable Security Documents;

(e) the Transactions as contemplated by the Transaction Documents;

(f) Permitted Acquisitions; and

(g) mergers and consolidations in compliance with Section 6.05;

provided that the Lien on and security interest in such property granted or to be granted in favor of the Collateral Agent under the Security Documents shall be maintained or created in accordance with the provisions of Section 5.10 or Section 5.11, as applicable.

SECTION 6.08 Dividends. Authorize, declare or pay, directly or indirectly, any Dividends with respect to any Company, except that the following shall be permitted:

(a) Dividends by any Company or any Subsidiary of any Company to Holdings, any Borrower or any Guarantor that is a Wholly Owned Subsidiary of Holdings;

(b) payments to Holdings to permit Holdings, and the subsequent use of such payments by Holdings, to repurchase or redeem Qualified Capital Stock of Holdings held by officers, directors or employees or former officers, directors or employees (or their transferees, estates or beneficiaries under their estates) of any Company, upon their death, disability, retirement, severance or termination of employment or service; *provided* that the aggregate cash consideration paid for all such redemptions and payments shall not exceed, in any fiscal year, $2.0 million; *provided further* that this amount may be increased by an amount not to exceed the sum of (i) the cash proceeds from the sale of Equity Interests of Holdings and (ii) to the extent contributed to Holdings, cash proceeds from the sale of Equity Interests of any of Holdings' direct or indirect parent corporations, in each case to current or former members of management, directors, managers or consultants of Holdings and any of its Subsidiaries or any of its direct or indirect parent corporations that occurs after the Effective Date and during the year of any such Dividend permitted by this clause (b);

(c) Permitted Tax Distributions by Holdings to its investors and dividends and payments to Holdings in an amount not to exceed such Permitted Tax Distributions for the purpose of enabling Holding to make such Permitted Tax Distributions; and

(d) Dividends by Holdings equal to the portion of the Cumulative Credit on such date that Holdings elects to apply pursuant to this Section 6.08(d); *provided* that no Default or Event of Default has occurred and is continuing or result therefrom and after giving effect thereto, the Total Leverage Ratio, on a Pro Forma Basis, is no greater than 3.0 to 1.0; *provided, further* that if any such Dividend is made from the Cumulative Credit prior to the first Excess Cash Flow Prepayment required to be made pursuant to Section 2.09(b)**,** the Borrowers shall concurrently prepay the Loans pursuant to Section 2.09(d) in an amount equal to such Dividend.

SECTION 6.09 Transactions with Affiliates. Enter into, directly or indirectly, any transaction or series of related transactions, whether or not in the ordinary course of business, with any Affiliate of any Company (other than between or among one or more Loan Parties), other than on terms and conditions at least as favorable to such Company as would reasonably be obtained by such Company at that time in a comparable arm's-length transaction with a person other than an Affiliate, except that the following shall be permitted:

(a) Dividends permitted by Section 6.08;

(b) Investments permitted by Sections 6.04(e) and (f);

(c) reasonable and customary director, officer and employee compensation (including bonuses) and other benefits (including retirement, health, stock option and other benefit plans) and indemnification arrangements, in each case approved by the Board of Directors of the applicable Borrower;

(d) transactions with customers, clients, suppliers, joint venture partners or purchasers or sellers of goods and services, in each case in the ordinary course of business and otherwise not prohibited by the Loan Documents;

(e) So long as no Default exists and the Total Leverage Ratio, on a Pro Forma Basis, is no greater than 3.0 to 1.0, the payment of management fees in an amount not to exceed $2.0 million in any fiscal year;

(f) the existence of, and the performance by any Loan Party of its obligations under the terms of, any limited liability company, limited partnership or other Organizational Document or securityholders agreement (including any registration rights agreement or purchase agreement related thereto) to which it is a party on the Effective Date, as in effect on the Effective Date, and similar agreements that it may enter into thereafter; *provided, however*, that the existence of, or the performance by any Loan Party of obligations under, any amendment to any such existing agreement or any such similar agreement entered into after the Effective Date shall only be permitted by this Section 6.09(f) to the extent not more adverse to the interest of the Lenders in any material respect, when taken as a whole, than any of such documents and agreements as in effect on the Effective Date;

(g) sales of Qualified Capital Stock of Holdings to Affiliates of any Borrower not otherwise prohibited by the Loan Documents and the granting of registration and other customary rights in connection therewith;

(h) any transaction with an Affiliate where the only consideration paid by any Loan Party is Qualified Capital Stock of Holdings; and

(i) the Transactions as contemplated by the Transaction Documents.

SECTION 6.10 Minimum Liquidity.

Permit, on the last day of each fiscal quarter, the sum of qualified and unrestricted cash and Cash Equivalents held by Loan Parties to be less than $12,500,000 (the "**Liquidity Requirement**").

SECTION 6.11 Prepayments of Other Indebtedness; Modifications of Organizational Documents and Other Documents, etc. Directly or indirectly:

(a) make (or give any notice in respect thereof) any voluntary or optional payment or prepayment on or redemption or acquisition for value of, or any prepayment or redemption as a result of any asset sale, change of control or similar event of any Subordinated Indebtedness (the "**Subordinated Indebtedness Payment**"), unless, if after giving effect thereto, the Total Leverage Ratio, on a Pro Forma Basis, is no greater than 3.0 to 1.0, then any Subordinated Indebtedness Payment may be made up to an aggregate amount equal to the Cumulative Credit; *provided* that if any such Subordinated Indebtedness Payment is made from the Cumulative Credit prior to the date of the first Excess Cash Flow Prepayment required to be made pursuant to Section 2.09(b), the Borrowers shall concurrently prepay the Loans pursuant to Section 2.09(d) in an amount equal to such Subordinated Indebtedness Payment.

(b) amend or modify, or permit the amendment or modification of, any provision of any Transaction Document in any manner that is adverse in any material respect to the interests of the Lenders; and

(c) terminate, amend, modify (including electing to treat any Pledged Interests (as defined in the Security Agreement) as a "security" under Section 8-103 of the UCC) or change any of its Organizational Documents (including by the filing or modification of any certificate of designation) or any agreement to which it is a party with respect to its Equity Interests (including any stockholders' agreement), or enter into any new agreement with respect to its Equity Interests, other than any such amendments, modifications or changes or such new agreements which are not adverse in any material respect to the interests of the Lenders; *provided* that Holdings may issue such Equity Interests, so long as such issuance is not prohibited by Section 6.13 or any other provision of this Agreement, and may amend its Organizational Documents to authorize any such Equity Interests.

SECTION 6.12 Limitation on Certain Restrictions on Subsidiaries. Directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Subsidiary to (a) pay dividends or make any other distributions on its capital stock or any other interest or participation in its profits owned by any Borrower or any Subsidiary, or pay any Indebtedness owed to a Borrower or a Subsidiary, (b) make loans or advances to any Borrower or any Subsidiary or (c) transfer any of its properties to any Borrower or any Subsidiary, except for such encumbrances or restrictions existing under or by reason of (i) applicable Requirements of Law; (ii) this Agreement and the other Loan Documents; (iii) customary provisions restricting subletting or assignment of any lease governing a leasehold interest of a Subsidiary; (iv) customary provisions restricting assignment of any agreement entered into by a Subsidiary in the ordinary course of business; (v) any holder of a Lien permitted by Section 6.02 restricting the transfer of the property subject thereto; (vi) customary restrictions and conditions contained in any agreement relating to the sale of any property permitted under Section 6.06 pending the consummation of such sale; (vii) any agreement in effect at the time such Subsidiary becomes a Subsidiary of a Borrower, so long as such agreement was not entered into in connection with or in contemplation of such person becoming a Subsidiary of a Borrower; (viii) without affecting the Loan Parties' obligations under Section 5.10, customary provisions in partnership agreements, limited liability company organizational governance documents, asset sale and stock sale agreements and other similar agreements entered into in the ordinary course of business that restrict the transfer of ownership interests in such partnership, limited liability company or similar person; (ix) restrictions on cash or other deposits or net worth imposed by suppliers or landlords under contracts entered into in the ordinary course of business; (x) any instrument governing Indebtedness assumed in connection with any Permitted Acquisition, which encumbrance or restriction is not applicable to any person, or the properties or assets of any person, other than the person or the properties or assets of the person so acquired; (xi) in the case of any joint venture which is not a Loan Party in respect of any matters referred to in clauses (b) and (c) above, restrictions in such person's Organizational Documents or pursuant to any joint venture agreement or stockholders agreements solely to the extent of the Equity Interests of or property held in the subject joint venture or other entity; or (xii) any encumbrances or restrictions imposed by any amendments or refinancings that are otherwise permitted by the Loan Documents of the contracts, instruments or obligations referred to in clauses (iii) or (viii) above; *provided* that such amendments or refinancings are no more materially restrictive with respect to such encumbrances and restrictions than those prior to such amendment or refinancing.

SECTION 6.13 Limitation on Issuance of Capital Stock.

(a) With respect to Holdings, issue any Equity Interest that is not Qualified Capital Stock.

(b) With respect to any Borrower or any Subsidiary, issue any Equity Interest (including by way of sales of treasury stock) or any options or warrants to purchase, or securities convertible into, any Equity Interest, except (i) for stock splits, stock dividends and additional issuances of Equity Interests which do not decrease the percentage ownership of any Borrower or any Subsidiaries in any class of the Equity Interest of such Subsidiary; (ii) Subsidiaries of any Borrower formed after the Effective Date in accordance with Section 6.14 may issue Equity Interests to such Borrower or the Subsidiary of such Borrower which is to own such Equity Interests; and (iii) any Borrower may issue common stock that is Qualified Capital Stock to Holdings. All Equity Interests issued in accordance with this Section 6.13(b) shall, to the extent required by Sections 5.10 and 5.11 or any Security Agreement, be delivered to the Collateral Agent for pledge pursuant to the applicable Security Agreement to the extent permitted by applicable law.

SECTION 6.14 Limitation on Creation of Subsidiaries. Establish, create or acquire any additional Subsidiaries without the prior written consent of the Required Lenders; *provided* that, without such consent (i) any Borrower may establish or create one or more Wholly Owned Subsidiaries of such Borrower; (ii) any Borrower may establish, create or acquire one or more Subsidiaries in connection with an Investment made pursuant to Section 6.04(f); (iii) any Borrower may acquire one or more Subsidiaries in connection with a Permitted Acquisition; or (iv) Holdings may acquire or form one or more Subsidiaries in connection with a Permitted Acquisition, so long as, in each case, Section 5.10(b) shall be complied with.

SECTION 6.15 Business.

(a) With respect to Holdings, engage in any business activities or have any properties or liabilities, other than (i) the direct or indirect ownership of the Equity Interests of its Subsidiaries in existence as of the Effective Date and any other Subsidiary acquired or formed by Holdings in connection with a Permitted Acquisition, (ii) obligations under the Loan Documents and (iii) activities and properties incidental to the foregoing clauses (i) and (ii).

(b) With respect to Borrowers and their Subsidiaries, engage (directly or indirectly) in any business other than those businesses in which Borrowers and its Subsidiaries are engaged on the Effective Date and activities incidental or related thereto.

SECTION 6.16 Limitation on Accounting Changes. Make or permit any change in accounting policies or reporting practices, without the consent of the Required Lenders, which consent shall not be unreasonably withheld, except changes that are required by GAAP.

SECTION 6.17 Fiscal Year. Change its fiscal year-end to a date other than December 31.

SECTION 6.18 [Intentionally Omitted].

SECTION 6.19 No Further Negative Pledge. Enter into any agreement, instrument, deed or lease which prohibits or limits the ability of any Loan Party to create, incur, assume or suffer to exist any Lien upon any of their respective properties or revenues, whether now owned or hereafter

acquired, or which requires the grant of any security for an obligation if security is granted for another obligation, except the following: (1) this Agreement and the other Loan Documents; (2) covenants in documents creating Liens permitted by Section 6.02 prohibiting further Liens on the properties encumbered thereby; (3) any other agreement that does not restrict in any manner (directly or indirectly) Liens created pursuant to the Loan Documents on any Collateral securing the Secured Obligations and does not require the direct or indirect granting of any Lien securing any Indebtedness or other obligation by virtue of the granting of Liens on or pledge of property of any Loan Party to secure the Secured Obligations; and (4) any prohibition or limitation that (a) exists pursuant to applicable Requirements of Law; (b) consists of customary restrictions and conditions contained in any agreement relating to the sale of any property permitted under Section 6.06 pending the consummation of such sale; (c) restricts subletting or assignment of any lease governing a leasehold interest of a Borrower or a Subsidiary; (d) exists in any agreement in effect at the time such Subsidiary becomes a Subsidiary of a Borrower, so long as such agreement was not entered into in contemplation of such person becoming a Subsidiary; or (e) is imposed by any amendments or refinancings that are otherwise permitted by the Loan Documents of the contracts, instruments or obligations referred to in clause (3) or (5)(d); *provided* that such amendments and refinancings are no more materially restrictive with respect to such prohibitions and limitations than those prior to such amendment or refinancing.

SECTION 6.20 Anti-Terrorism Law; Anti-Money Laundering.

(a) Directly or indirectly, (i) knowingly conduct any business or engage in making or receiving any contribution of funds, goods or services to or for the benefit of any person described in Section 3.21; (ii) knowingly deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order or any other Anti-Terrorism Law; or (iii) knowingly engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law (and the Loan Parties shall deliver to the Lenders any certification or other evidence requested from time to time by any Lender in its reasonable discretion, confirming the Loan Parties' compliance with this Section 6.20).

(b) Cause or permit any of the funds of such Loan Party that are used to repay the Loans to be derived from any unlawful activity with the result that the making of the Loans would be in violation of any Requirement of Law.

SECTION 6.21 Embargoed Person. Cause or permit (a) any of the funds or properties of the Loan Parties that are used to repay the Loans to constitute property of, or be beneficially owned directly or indirectly by, any person subject to sanctions or trade restrictions under United States law ("**Embargoed Person**" or "**Embargoed Persons**") that is identified on (1) the "List of Specially Designated Nationals and Blocked Persons" maintained by OFAC and/or on any other similar list maintained by OFAC pursuant to any authorizing statute including, but not limited to, the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701 *et seq*., The Trading with the Enemy Act, 50 U.S.C. App. 1 *et seq*., and any Executive Order or Requirement of Law promulgated thereunder, with the result that the investment in the Loan Parties (whether directly or indirectly) is prohibited by a Requirement of Law, or the Loans made by the Lenders would be in violation of a Requirement of Law, or (2) the Executive Order, any related enabling legislation or any other similar Executive Orders; or (b) any Embargoed Person to have any direct or indirect interest, of any nature whatsoever in the Loan Parties, with the result that the investment in the Loan Parties (whether directly or indirectly) is prohibited by a Requirement of Law or the Loans are in violation of a Requirement of Law.

SECTION 6.22 Limitation on Finance Subsidiary. Finance Subsidiary may not hold any material properties, become liable for any material obligations, engage in any trade or business, or conduct any business activity, other than (1) the issuance of its Equity Interests to Lux Borrower or any Wholly Owned Subsidiary of Lux Borrower; (2) the incurrence of Indebtedness as a co-obligor or guarantor, as the case may be, of any Indebtedness that is permitted to be incurred by Borrowers under the Loan Documents; *provided* that the net proceeds of such Indebtedness are retained by Lux Borrower or loaned to or contributed as capital to one or more Subsidiaries other than Finance Subsidiary; and (3) activities incidental thereto. Neither Lux Borrower nor any Subsidiary thereof shall engage in any transactions with Finance Subsidiary in violation of the immediately preceding sentence.

SECTION 6.23 Preservation of Claims Under the Korean Opco Bank Guarantees. Make any payment or take any other action that would reduce the obligations of Korean Opco under the Korean Opco Bank Guarantee below an amount equal to the outstanding balance of the Secured Obligations at such time.

ARTICLE VII

GUARANTEE

SECTION 7.01 The Guarantee. The Guarantors (other than Korean Opco which has separately executed the Korean Opco Bank Guarantee) hereby jointly and severally guarantee, as a primary obligor and not as a surety to each Secured Party and their respective successors and assigns, the prompt payment in full when due (whether at stated maturity, by required prepayment, declaration, demand, by acceleration or otherwise) of the principal of and interest (including any interest, fees, costs or charges that would accrue but for the provisions of the Title 11 of the United States Code after any bankruptcy or insolvency petition under Title 11 of the United States Code) on the Loans made by the Lenders to, and the Notes held by each Lender of, Borrowers, and all other Secured Obligations from time to time owing to the Secured Parties by any Loan Party under any Loan Document or any Hedging Agreement entered into with a counterparty that is a Secured Party, in each case strictly in accordance with the terms thereof (such obligations being herein collectively called the "**Guaranteed Obligations**"). The Guarantors hereby jointly and severally agree that if Borrowers or other Guarantor(s) shall fail to pay in full when due (whether at stated maturity, by acceleration or otherwise) any of the Guaranteed Obligations, the Guarantors will promptly pay the same in cash, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Guaranteed Obligations, the same will be promptly paid in full when due (whether at extended maturity, by acceleration or otherwise) in accordance with the terms of such extension or renewal.

SECTION 7.02 Obligations Unconditional. The obligations of the Guarantors under Section 7.01 shall constitute a guaranty of payment and to the fullest extent permitted by applicable Requirements of Law, are absolute, irrevocable and unconditional, joint and several, irrespective of the value, genuineness, validity, regularity or enforceability of the Guaranteed Obligations of Borrowers under this Agreement, the Notes, if any, or any other agreement or instrument referred to herein or therein, or any substitution, release or exchange of any other guarantee of or security for any of the Guaranteed Obligations, and, irrespective of any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a surety or Guarantor (except for payment in full). Without limiting the generality of the foregoing, it is agreed that the occurrence of any one or more of the following shall not alter or impair the liability of the Guarantors hereunder which shall remain absolute, irrevocable and unconditional under any and all circumstances as described above:

(i) at any time or from time to time, without notice to the Guarantors, the time for any performance of or compliance with any of the Guaranteed Obligations shall be extended, or such performance or compliance shall be waived;

(ii) any of the acts mentioned in any of the provisions of this Agreement or the Notes, if any, or any other agreement or instrument referred to herein or therein shall be done or omitted;

(iii) the maturity of any of the Guaranteed Obligations shall be accelerated, or any of the Guaranteed Obligations shall be amended in any respect, or any right under the Loan Documents or any other agreement or instrument referred to herein or therein shall be amended or waived in any respect or any other guarantee of any of the Guaranteed Obligations or any security therefor shall be released or exchanged in whole or in part or otherwise dealt with;

(iv) any Lien or security interest granted to, or in favor of, any Lender, the Collateral Trustee, the Collateral Agent or the Administrative Agent as security for any of the Guaranteed Obligations shall fail to be perfected; or

(v) the release of any other Guarantor pursuant to Section 7.09.

The Guarantors hereby expressly waive diligence, presentment, demand of payment, protest and all notices whatsoever, and any requirement that any Secured Party exhaust any right, power or remedy or proceed against any Borrower under this Agreement or the Notes, if any, or any other agreement or instrument referred to herein or therein, or against any other person under any other guarantee of, or security for, any of the Guaranteed Obligations. The Guarantors waive any and all notice of the creation, renewal, extension, waiver, termination or accrual of any of the Guaranteed Obligations and notice of or proof of reliance by any Secured Party upon this Guarantee or acceptance of this Guarantee, and the Guaranteed Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred in reliance upon this Guarantee, and all dealings among Borrowers and the Secured Parties shall likewise be conclusively presumed to have been had or consummated in reliance upon this Guarantee. This Guarantee shall be construed as a continuing, absolute, irrevocable and unconditional guarantee of payment without regard to any right of offset with respect to the Guaranteed Obligations at any time or from time to time held by Secured Parties, and the obligations and liabilities of the Guarantors hereunder shall not be conditioned or contingent upon the pursuit by the Secured Parties or any other person at any time of any right or remedy against Borrowers or against any other person which may be or become liable in respect of all or any part of the Guaranteed Obligations or against any collateral security or guarantee therefor or right of offset with respect thereto. This Guarantee shall remain in full force and effect and be binding in accordance with and to the extent of its terms upon the Guarantors and the successors and assigns thereof, and shall inure to the benefit of the Lenders, and their respective successors and assigns, notwithstanding that from time to time during the term of this Agreement there may be no Guaranteed Obligations outstanding.

SECTION 7.03 Reinstatement. The obligations of the Guarantors under this Article VII shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of Borrowers or other Loan Party in respect of the Guaranteed Obligations is rescinded or must be otherwise restored by any holder of any of the Guaranteed Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise.

SECTION 7.04 Subrogation. Each Guarantor hereby agrees that until the indefeasible payment and satisfaction in full in cash of all Guaranteed Obligations and the expiration and termination of the Commitments of the Lenders under this Agreement it shall waive any claim and shall not exercise any right or remedy, direct or indirect, arising by reason of any performance by it of its guarantee in Section 7.01, whether by subrogation or otherwise, against Borrowers or any other Guarantor of any of the Guaranteed Obligations or any security for any of the Guaranteed Obligations.

SECTION 7.05 Remedies. The Guarantors jointly and severally agree that, as between the Guarantors and the Lenders, the obligations of Borrowers under this Agreement and the Notes, if any, may be declared to be forthwith due and payable as provided in Section 8.01 (and shall be deemed to have become automatically due and payable in the circumstances provided in Section 8.01) for purposes of Section 7.01, notwithstanding any stay, injunction or other prohibition preventing such declaration (or such obligations from becoming automatically due and payable) as against Borrowers and that, in the event of such declaration (or such obligations being deemed to have become automatically due and payable), such obligations (whether or not due and payable by Borrowers) shall forthwith become due and payable by the Guarantors for purposes of Section 7.01.

SECTION 7.06 Instrument for the Payment of Money. Each Guarantor hereby acknowledges that the guarantee in this Article VII constitutes an instrument for the payment of money, and consents and agrees that any Lender or Agent, at its sole option, in the event of a dispute by such Guarantor in the payment of any moneys due hereunder, shall have the right to bring a motion-action under New York CRPL Section 3213.

SECTION 7.07 Continuing Guarantee. The guarantee in this Article VII is a continuing guarantee of payment, and shall apply to all Guaranteed Obligations whenever arising.

SECTION 7.08 General Limitation on Guarantee Obligations. In any action or proceeding involving any state corporate limited partnership or limited liability company law, or any applicable state, federal or foreign bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of any Guarantor under Section 7.01 would otherwise be held or determined to be void, voidable, invalid or unenforceable, or subordinated to the claims of any other creditors, on account of the amount of its liability under Section 7.01, then, notwithstanding any other provision to the contrary, the amount of such liability shall, without any further action by such Guarantor, any Loan Party or any other person, be automatically limited and reduced to the highest amount that is valid and enforceable and not subordinated to the claims of other creditors as determined in such action or proceeding.

SECTION 7.09 Release of Guarantors. If, in compliance with the terms and provisions of the Loan Documents, all or substantially all of the Equity Interests or property of any Guarantor are sold or otherwise transferred (a "**Transferred Guarantor**") to a person or persons, none of which is a Borrower or a Subsidiary, such Transferred Guarantor shall, upon the consummation of such sale or transfer, be released from its obligations under this Agreement (including under Section 10.03 hereof) and its obligations to pledge and grant any Collateral owned by it pursuant to any Security Document and, in the case of a sale of all or substantially all of the Equity Interests of the Transferred Guarantor, the pledge of such Equity Interests to the Collateral Agent pursuant to the Security Agreements shall be released, and the Collateral Agent shall take such actions as are necessary to effect each release described in this Section 7.09 in accordance with the relevant provisions of the Security Documents

SECTION 7.10 Provisions Applicable to Certain Guarantees. Notwithstanding any of the provisions of Article VII, the Guaranteed Obligations of any Subsidiary Guarantor shall under no circumstances whatsoever extend to include any monies, liabilities or obligations (including the Obligations) which, if so included, would cause the infringement by any Subsidiary Guarantor of any of sections 151 to 154 (inclusive) of the United Kingdom Companies Act 1985 (as re-enacted or amended from time to time).

ARTICLE VIII

EVENTS OF DEFAULT

SECTION 8.01 Events of Default. Upon the occurrence and during the continuance of the following events ("**Events of Default**"):

(a) default shall be made in the payment of any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment (whether voluntary or mandatory) thereof or by acceleration thereof or otherwise;

(b) default shall be made in the payment of any interest on any Loan or any fee or any other amount (other than an amount referred to in paragraph (a) above) due under any Loan Document, when and as the same shall become due and payable, and such default shall continue unremedied for a period of three Business Days;

(c) any representation or warranty made or deemed made in or in connection with any Loan Document or the borrowings hereunder, or any representation, warranty, statement or information contained in any report, certificate, financial statement or other instrument furnished in connection with or pursuant to any Loan Document, shall prove to have been false or misleading in any material respect when so made, deemed made or furnished;

(d) default shall be made in the due observance or performance by any Company of any covenant, condition or agreement contained in Section 5.02, 5.03(a) or 5.08 or in Article VI;

(e) default shall be made in the due observance or performance by any Company of any covenant, condition or agreement contained in any Loan Document (other than those specified in paragraphs (a), (b) or (d) immediately above) and such default shall continue unremedied or shall not be waived for a period of thirty (30) days after written notice thereof from the Administrative Agent or any Lender to Borrowers;

(f) any Company shall (i) fail to pay any principal or interest, regardless of amount, due in respect of any Indebtedness (other than the Obligations), when and as the same shall become due and payable beyond any applicable grace period, or (ii) fail to observe or perform any other term, covenant, condition or agreement contained in any agreement or instrument evidencing or governing any such Indebtedness if the effect of any failure referred to in this clause (ii) is to cause, or to permit the holder or holders of such Indebtedness or a trustee or other representative on its or their behalf (with or without the giving of notice, the lapse of time or both) to cause, such Indebtedness to become due prior to its stated maturity or become subject to a mandatory offer purchase by the obligor; *provided* that it shall not constitute an Event of Default pursuant to this paragraph (f) unless the aggregate amount of all such Indebtedness referred to in clauses (i) and (ii) exceeds $3.0 million at any one time (*provided* that, in the case

of Hedging Obligations, the amount counted for this purpose shall be the amount payable by all Companies if such Hedging Obligations were terminated at such time);

(g) an involuntary proceeding shall be commenced or an involuntary petition shall be filed or any application shall be made in a court of competent jurisdiction seeking (i) relief in respect of any Company, or of a substantial part of the property of any Company, under Title 11 of the Code, as now constituted or hereafter amended, or any other federal, state or foreign bankruptcy, insolvency, receivership or similar law in any jurisdiction; (ii) the appointment of a receiver, administrator, administrative receiver, liquidator, trustee, custodian, sequestrator, conservator or similar official for any Company or for a substantial part of the property of any Company; or (iii) the suspension of payments, a moratorium of any indebtedness, bankruptcy, dissolution, administration, examination, reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise), the winding-up or liquidation of any Company; and (other than with respect to the UK Sales Subsidiary) such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(h) any Company shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal, state or foreign bankruptcy, insolvency, receivership or similar law in any jurisdiction; (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in clause (g) above; (iii) apply for or consent to the appointment of a receiver, administrator, administrative receiver, liquidator, trustee, custodian, sequestrator, conservator or similar official for any Company or for a substantial part of the property of any Company; (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding; (v) make a general assignment for the benefit of creditors; (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due including, in the case of the UK Sales Subsidiary, within the meaning of subsections 123(1)(a), (b), (c) or (d) of the United Kingdom Insolvency Act of 1986; (vii) take any action for the purpose of effecting any of the foregoing; (viii) wind up or liquidate; (ix) suspend making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commence negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness, (x) declare or institute a moratorium in respect of any of its indebtedness; (xi) enter into a composition, compromise, assignment or arrangement with any creditor of any Loan Party; or (xii) the value of the assets of the UK Sales Subsidiary is less than its liabilities (taking into account contingent and prospective liabilities);

(i) one or more judgments, orders or decrees for the payment of money in an aggregate amount in excess of $1,000,000 shall be rendered against any Company or any combination thereof and the same shall remain undischarged, unvacated or unbonded for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to levy upon properties of any Company to enforce any such judgment;

(j) one or more ERISA Events or noncompliance with respect to Foreign Plans shall have occurred that, in the opinion of the Required Lenders, when taken together with all other such ERISA Events and noncompliance with respect to Foreign Plans that have occurred, could reasonably be expected to result in liability of any Company and its ERISA Affiliates in an

aggregate amount exceeding $1,000,000 or in the imposition of a Lien on any properties of a Company;

(k) any security interest and Lien purported to be created by any Security Document with respect to property in excess of $500,000 in value shall cease to be in full force and effect, or shall cease to give the Collateral Agent, for the benefit of the Secured Parties, or the Collateral Trustee, as applicable, the Liens, rights, powers and privileges purported to be created and granted under such Security Document (including a perfected first priority security interest in and Lien on all of the Collateral thereunder (except as otherwise expressly provided in such Security Document)) in favor of the Collateral Agent or the Collateral Trustee, as applicable, or shall be asserted by any Borrower or any other Loan Party not to be a valid, perfected, first priority (except as otherwise expressly provided in this Agreement or such Security Document) security interest in or Lien on the Collateral covered thereby;

(l) any Loan Document or any material provisions thereof shall at any time and for any reason be declared by a court of competent jurisdiction to be null and void, or a proceeding shall be commenced by any Loan Party or any other person, or by any Governmental Authority, seeking to establish the invalidity or unenforceability thereof (exclusive of questions of interpretation of any provision thereof), or any Loan Party shall repudiate or deny any portion of its liability or obligation for the Obligations;

(m) there shall have occurred a Change in Control;

(n) any Company shall be prohibited or otherwise restrained from conducting the business theretofore conducted by it in any manner that has or could reasonably be expected to result in a Material Adverse Effect by virtue of any determination, ruling, decision, decree or order of any court or Governmental Authority of competent jurisdiction;

(o) Korean Opco is designated as a “failing company” under the CRPL; or

(p) the Clearing House suspends any current transactions of Korean Opco;

then, and in every such event (other than an event with respect to Holdings or any Borrower described in paragraph (g), (h), (o) or (p) above), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Enforcement Lenders shall, by notice to Borrowers, take either or both of the following actions, at the same or different times: (i) terminate forthwith the Commitments and (ii) declare the Loans then outstanding to be forthwith due and payable in whole or in part, whereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and any unpaid accrued fees and all other Obligations of Borrowers accrued hereunder and under any other Loan Document, shall become forthwith due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by Borrowers and the Guarantors, anything contained herein or in any other Loan Document to the contrary notwithstanding; and in any event, with respect to Holdings or any Borrower described in paragraph (g), (h), (o) or (p) above, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and any unpaid accrued fees and all other Obligations of Borrowers accrued hereunder and under any other Loan Document, shall automatically become due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by Borrowers and the Guarantors, anything contained herein or in any other Loan Document to the contrary notwithstanding.

SECTION 8.02 Application of Proceeds. The proceeds received by the Collateral Agent in respect of any sale of, collection from or other realization upon all or any part of the Collateral pursuant to the exercise by the Collateral Agent of its remedies shall be applied, in full or in part, together with any other sums then held by the Collateral Agent pursuant to this Agreement, promptly by the Collateral Agent as follows:

(a) *First*, to the payment of all reasonable costs and expenses, fees, commissions and taxes of such sale, collection or other realization including compensation to the Collateral Agent and its agents and counsel, and all expenses, liabilities and advances made or incurred by the Collateral Agent in connection therewith and all amounts for which the Collateral Agent is entitled to indemnification pursuant to the provisions of any Loan Document, together with interest on each such amount at the highest rate then in effect under this Agreement from and after the date such amount is due, owing or unpaid until paid in full;

(b) *Second*, to the payment of all other reasonable costs and expenses of such sale, collection or other realization including compensation to the other Secured Parties and their agents and counsel and all costs, liabilities and advances made or incurred by the other Secured Parties in connection therewith, together with interest on each such amount at the highest rate then in effect under this Agreement from and after the date such amount is due, owing or unpaid until paid in full;

(c) *Third*, without duplication of amounts applied pursuant to clauses (a) and (b) above, to the indefeasible payment in full in cash, *pro rata*, of interest and other amounts constituting Obligations (other than principal) and any fees, premiums and scheduled periodic payments due under Hedging Agreements constituting Secured Obligations and any interest accrued thereon, in each case equally and ratably in accordance with the respective amounts thereof then due and owing;

(d) *Fourth*, to the indefeasible payment in full in cash, *pro rata*, of principal amount of the Obligations and any breakage, termination or other payments under Hedging Agreements constituting Secured Obligations and any interest accrued thereon; and

(e) *Fifth*, the balance, if any, to the person lawfully entitled thereto (including the applicable Loan Party or its successors or assigns) or as a court of competent jurisdiction may direct.

In the event that any such proceeds are insufficient to pay in full the items described in clauses (a) through (e) of this Section 8.02, the Loan Parties shall remain liable, jointly and severally, for any deficiency.

SECTION 8.03 Right to Cure. Notwithstanding anything to the contrary contained in Section 8.01, in the event that the Loan Parties fail (or, but for the operation of this Section 8.03, would fail) to comply with the Liquidity Requirement, until the expiration of the 30th day subsequent to the fiscal quarter for which such failure to comply occurs, Holdings shall have the right to issue Qualified Capital Stock (which does not provide for the making of mandatory Dividends prior to the first anniversary of the Maturity Date) for cash or otherwise receive cash contributions to the capital of Holdings, (collectively, the "**Cure Right**"), and upon the receipt by Holdings of such cash (the "**Cure Amount**") pursuant to the exercise by Holdings of such Cure Right the covenant in Section 6.10 shall be recalculated giving effect to the Cure Amount and, if, after giving effect to such adjustment, the Loan Parties shall then

be in compliance with the requirements of the Liquidity Requirement, the Loan Parties shall be deemed to have satisfied the Liquidity Requirement as of the relevant date of determination with the same effect as though there had been no failure to comply therewith at such date, and the applicable breach or default of the Liquidity Requirement that had occurred shall be deemed cured for the purposes of the Agreement; *provided* that in any four consecutive fiscal quarter period there shall be at least two fiscal quarters in which no Cure Right has been exercised.

ARTICLE IX

THE ADMINISTRATIVE AGENT AND THE COLLATERAL AGENT

SECTION 9.01 Appointment and Authority. Each of the Lenders hereby irrevocably appoints Wilmington Trust FSB, to act on its behalf as the Administrative Agent and the Collateral Agent hereunder and under the other Loan Documents and authorizes such Agents to take such actions on its behalf and to exercise such powers as are delegated to such Agents by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article are solely for the benefit of the Administrative Agent, the Collateral Agent and the Lenders, and neither any Borrower nor any other Loan Party shall have rights as a third party beneficiary of any of such provisions.

SECTION 9.02 Rights as a Lender. Each person serving as an Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not an Agent and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include each person serving as an Agent hereunder in its individual capacity. Such person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with any Borrower or any Subsidiary or other Affiliate thereof as if such person were not an Agent hereunder and without any duty to account therefor to the Lenders.

SECTION 9.03 Exculpatory Provisions. Agents and any of their respective officers, partners, directors, employees or agents (each an "**Indemnified Party")** shall not be liable to Lenders for any action taken or omitted to be taken by any Agent (including the Prior Agent) under or in connection with any of the Loan Documents except to the extent caused by such Agent's gross negligence or willful misconduct, as determined by a final, non-appealable judgment of a court of competent jurisdiction. No such Agent shall have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Each Agent shall be entitled to refrain from any act or the taking of any action (including the failure to take an action) in connection herewith or any of the other Loan Documents or from the exercise of any power, discretion or authority vested in it hereunder or thereunder unless and until such Agent shall have received instructions in respect thereof from Required Lenders or Supermajority Lenders (or such other Lenders as may be required, or as such Agent shall believe in good faith shall be necessary, to give such instructions under Section 10.02) and, upon receipt of such instructions from Required Lenders or Supermajority Lenders (or such other Lenders, as the case may be), such Agent shall be entitled to act or (where so instructed) refrain from acting, or to exercise such power, discretion or authority, in accordance with such instructions. Agents may distribute documents, deliverables or other materials to the Lenders for acceptance or rejection, and may, upon appropriate notice, rely on the lack of an objection by Lenders as deemed approval of the action presented. Without prejudice to the generality of the foregoing, (i) each Indemnified Party shall be entitled to rely, and shall be fully protected in relying, upon any communication, instrument or document believed by it to be genuine and correct and to have been signed or sent by the proper Person or Persons and shall be entitled to rely, and shall be fully protected in

relying, on opinions and judgments of attorneys (who may be attorneys for Borrower and its Subsidiaries), accountants, experts and other professional advisors selected by it; and (ii) no Lender or Loan Party shall have any right of action whatsoever against any Indemnified Party as a result of such Agent acting or (where so instructed) refraining from acting hereunder or under any of the other Loan Documents in accordance with the instructions of Required Lenders, Supermajority Lenders (or such other Lenders as may be required, or as such Agent shall believe in good faith shall be necessary, to give such instructions under Section 10.02). Without limiting the generality of the foregoing, no Agent:

(i) shall be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(ii) shall have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that such Agent is required to exercise as directed in writing by the Required Lenders or the Supermajority Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents); *provided* that such Agent shall not be required to take any action that, in its judgment or the judgment of its counsel, may expose such Agent to liability or that is contrary to any Loan Document or applicable Requirements of Law; and

(iii) shall, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to any Borrower or any of its Affiliates that is communicated to or obtained by the person serving as such Agent or any of its Affiliates in any capacity.

No Agent shall be liable for any action taken or not taken by it (x) with the consent or at the request of the Required Lenders, other than with respect to any items that are subject to the consent of the Supermajority Lenders or another vote of Lenders as provided in this Agreement, in which case such Agent shall obtain the consent of the Supermajority Lenders, (or such other Lenders as shall be necessary, or as such Agent shall believe in good faith shall be necessary, under the circumstances as provided in Section 10.02) or (y) in the absence of its own gross negligence or willful misconduct. No Agent shall be deemed to have knowledge of any Default unless and until notice describing such Default is given to such Agent by Borrowers or a Lender.

No Agent shall be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to such Agent. Without limiting the generality of the foregoing, the use of the term “agent” in this Agreement with reference to the Administrative Agent or the Collateral Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term us used merely as a matter of market custom and is intended to create or reflect only an administrative relationship between independent contracting parties.

SECTION 9.04 Reliance by Agent. Each Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper person. Each Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, that by its terms must be fulfilled to the satisfaction of a Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender unless the Administrative Agent shall have received notice to the contrary from such Lender prior to the making of such Loan. Each Agent may consult with legal counsel (who may be counsel for Borrowers), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

SECTION 9.05 Delegation of Duties. Each Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by such Agent. Each Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of each Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Agent. Notwithstanding anything herein to the contrary, with respect to each Indemnified Party (other than an Agent), including any sub-agent appointed by an Agent, (i) such sub-agent or other Indemnified Party shall be a third party beneficiary under this Agreement with respect to all such rights, benefits and privileges (including exculpatory rights and rights to indemnification) and shall have all of the rights and benefits of a third party beneficiary, including an independent right of action to enforce such rights, benefits and privileges (including exculpatory rights and rights to indemnification) directly, without the consent or joinder of any other Person, against any or all of the Loan Parties and the Lenders, (ii) no waiver, amendment or modification of such rights, benefits and privileges (including exculpatory rights and rights to indemnification) shall be effective with respect to any such sub-agent or other Indemnified Party without the consent of such Person, and (iii) such sub-agent or other Indemnified Party shall only have obligations to such Agent, and not to any Loan Party, Lender or any other Person and no Loan Party, Lender or any other Person shall have any rights, directly or indirectly, as a third party beneficiary or otherwise, against such sub-agent or other Indemnified Person.

SECTION 9.06 Resignation of Agent. Each Agent may at any time give notice of its resignation to the Lenders and Borrowers. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with Borrowers, to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank with an office in the United States. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Agent gives notice of its resignation, then the retiring Agent may on behalf of the Lenders, appoint a successor Agent meeting the qualifications set forth above provided that if the Agent shall notify Borrowers and the Lenders that no qualifying person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (1) the retiring Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Collateral Agent on behalf of the Lenders under any of the Loan Documents, the retiring Collateral Agent shall continue to hold such collateral security as nominee until such time as a successor Collateral Agent is appointed) and (2) all payments, communications and determinations provided to be made by, to or through an Agent shall instead

be made by or to each Lender directly, until such time as the Required Lenders appoint a successor Agent as provided for above in this paragraph. Upon the acceptance of a successor's appointment as Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Agent, and the retiring Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this paragraph). The fees payable by any Borrower to a successor Agent shall be the same as those payable to its predecessor unless otherwise agreed between such Borrower and such successor. After the retiring Agent's resignation hereunder and under the other Loan Documents, the provisions of this Article IX and Section 10.03 shall continue in effect for the benefit of such retiring Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Agent was acting as Agent.

SECTION 9.07 Non-Reliance on Agent and Other Lenders. Each Lender acknowledges that it has, independently and without reliance upon any Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon any Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

SECTION 9.08 Agents Not Required to Advance Funds. Without limiting the foregoing, none of the Agents shall be required to act hereunder or to advance its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of its rights hereunder and under any other agreements or documents to which it is a party, and shall in all cases be fully justified in failing or refusing to act hereunder unless it shall receive further assurances to its satisfaction from the Secured Parties (other than the Agents) of their indemnification obligations under and in accordance with the provisions of Section 10.03 against any and all liability and expense that may be incurred by it by reason of taking or continuing to take or refraining from taking any such action.

ARTICLE X

MISCELLANEOUS

SECTION 10.01 Notices.

(a) Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier as follows:

(i) if to any Loan Party, to Borrowers at:

c/o MagnaChip Semiconductor, Ltd.

891 Daechi-dong, Gangnam-gu

Seoul 135-738 Korea

Attention: General Counsel

Telecopier No.: +82-2-6903-3898

(ii) if to the Administrative Agent or the Collateral Agent, to it at:

Wilmington Trust FSB
50 South Sixth Street, Suite 1290
Minneapolis, MN 55402
Attention: Renee Kuhl
Telecopier No.: 612-217-5651

(iii) if to a Lender, to it at its address (or telecopier number) set forth in its Administrative Questionnaire.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices delivered through electronic communications to the extent provided in paragraph (b) below, shall be effective as provided in said paragraph (b).

(b) Electronic Communications. Notices and other communications to the Lenders hereunder may (subject to Section 10.01(d)) be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent; *provided* that the foregoing shall not apply to notices to any Lender pursuant to Article II if such Lender has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent, the Collateral Agent or any Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it (including as set forth in Section 10.01(d)); *provided* that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement); *provided* that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) Change of Address, Etc. Any party hereto may change its address or telecopier number for notices and other communications hereunder by notice to the other parties hereto.

(d) Posting. Each Loan Party hereby agrees that it will provide to the Administrative Agent all information, documents and other materials that it is obligated to furnish to the Administrative Agent pursuant to this Agreement and any other Loan Document, including all notices, requests, financial statements, financial and other reports, certificates and other information materials, but excluding any such communication that (i) relates to a request for a new, or a conversion of an existing, Borrowing or other extension of credit (including any election of an interest rate or interest period relating thereto);

(ii)relates to the payment of any principal or other amount due under this Agreement prior to the scheduled date therefor; (iii) provides notice of any Default under this Agreement; or (iv) is required to be delivered to satisfy any condition precedent to the effectiveness of this Agreement and/or any borrowing or other extension of credit hereunder (all such non-excluded communications, collectively, the "**Communications**"), by transmitting the Communications in an electronic/soft medium in a format reasonably acceptable to the Administrative Agent at rkuhl@wilmingtontrust.com or at such other e-mail address(es) provided to Borrowers from time to time or in such other form, including hard copy delivery thereof, as the Administrative Agent shall require. In addition, each Loan Party agrees to continue to provide the Communications to the Administrative Agent in the manner specified in this Agreement or any other Loan Document or in such other form, including hard copy delivery thereof, as the Administrative Agent shall require. Nothing in this Section 10.01 shall prejudice the right of the Agents, any Lender or any Loan Party to give any notice or other communication pursuant to this Agreement or any other Loan Document in any other manner specified in this Agreement or any other Loan Document or as any such Agent shall require.

To the extent consented to by the Administrative Agent in writing from time to time, Administrative Agent agrees that receipt of the Communications by the Administrative Agent at its e-mail address(es) set forth above shall constitute effective delivery of the Communications to the Administrative Agent for purposes of the Loan Documents; *provided* that Borrowers shall also deliver to the Administrative Agent an executed original of each Compliance Certificate required to be delivered hereunder.

Each Loan Party further agrees that Administrative Agent may make the Communications available to the Lenders by posting the Communications on Intralinks or a substantially similar electronic transmission system (the "**Platform**"). The Platform is provided "as is" and "as available." The Agents do not warrant the accuracy or completeness of the Communications, or the adequacy of the Platform and expressly disclaim liability for errors or omissions in the communications. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third party rights or freedom from viruses or other code defects, is made by any Agent in connection with the Communications or the Platform. In no event shall the Administrative Agent or any of its Related Parties have any liability to the Loan Parties, any Lender or any other person for damages of any kind, including direct or indirect, special, incidental or consequential damages, losses or expenses (whether in tort, contract or otherwise) arising out of any Loan Party's or the Administrative Agent's transmission of communications through the Internet, except to the extent the liability of such person is found in a final non-appealable judgment by a court of competent jurisdiction to have resulted from such person's gross negligence or willful misconduct.

SECTION 10.02 Waivers; Amendment.

(a) Generally. No failure or delay by any Agent or any Lender in exercising any right or power hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of each Agent and the Lenders hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of any Loan Document or consent to any departure by any Loan Party therefrom shall in any event be effective unless the same shall be permitted by this Section 10.02, and then such waiver or consent shall be effective only in the specific instance and for the purpose

for which given. Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Default, regardless of whether any Agent or any Lender may have had notice or knowledge of such Default at the time. No notice or demand on any Borrower in any case shall entitle such Borrower to any other or further notice or demand in similar or other circumstances.

(b) Required Consents. Subject to Section 10.02(c), and (d), neither this Agreement nor any other Loan Document nor any provision hereof or thereof may be waived, amended, supplemented or modified except, in the case of this Agreement, pursuant to an agreement or agreements in writing entered into by Borrowers and the Required Lenders or, in the case of any other Loan Document, pursuant to an agreement or agreements in writing entered into by the Administrative Agent, the Collateral Agent (in the case of any Security Document) and the Loan Party or Loan Parties that are party thereto, in each case with the written consent of the Required Lenders; *provided* that no such agreement shall be effective if the effect thereof would:

(i) increase the Commitment of any Lender without the written consent of such Lender (it being understood that no amendment, modification, termination, waiver or consent with respect to any condition precedent, covenant or Default shall constitute an increase in the Commitment of any Lender);

(ii) reduce the principal amount of any Loan or reduce the rate of interest thereon (other than interest pursuant to Section 2.06(c)), or reduce any fees payable hereunder, or change the form or currency of payment of any Obligation, without the written consent of each Lender directly affected thereby (it being understood that any amendment or modification to the financial definitions in this Agreement shall not constitute a reduction in the rate of interest for purposes of this clause (ii));

(iii) (A) change the scheduled final maturity of any Loan, (B) postpone the date for payment of any interest or fees payable hereunder, (C) change the amount of, waive or excuse any such payment (other than waiver of any increase in the interest rate pursuant to Section 2.06(c)), or (D) postpone the scheduled date of expiration of any Commitment beyond the Maturity Date, in any case, without the written consent of each Lender directly affected thereby;

(iv) increase the maximum duration of Interest Periods hereunder, without the written consent of each Lender directly affected thereby;

(v) permit the assignment or delegation by any Borrower of any of its rights or obligations under any Loan Document, without the written consent of each Lender;

(vi) release Holdings, Korean Opco or all or substantially all of the Subsidiary Guarantors from their Guarantee (except as expressly provided in Article VII), or limit their liability in respect of such Guarantee, without the written consent of each Lender;

(vii) release all or a substantial portion of the Collateral from the Liens of the Security Documents or subordinate the priorities of the Liens of the Security Documents or the Secured Obligations entitled to the Liens of the Security Documents, in each case without the written consent of each Lender (it being understood that additional Classes of Loans pursuant to Section 2.18 and Indebtedness incurred pursuant to Section 6.01(k) may be equally and ratably secured by the Collateral with the then existing Secured Obligations under the Security Documents);

(viii) change Section 2.13(b) or (c) or Section 2.09(h) in a manner that would alter the *pro rata* sharing of payments or setoffs required thereby or any other provision in a manner that would alter the *pro rata* allocation among the Lenders of Loan disbursements, including the requirements of Sections 2.02(a), 2.16(d), 2.17(d) and 8.02, without the written consent of each Lender directly affected thereby;

(ix) change any provision of this Section 10.02(b) or Section 10.02(c) or (d), without the written consent of each Lender directly affected thereby (except for additional restrictions on amendments or waivers for the benefit of Lenders of additional Classes of Loans pursuant to Section 2.18);

(x) change the percentage set forth in the definition of "Required Lenders," "Supermajority Lenders" or any other provision of any Loan Document (including this Section) specifying the number or percentage of Lenders (or Lenders of any Class) required to waive, amend or modify any rights thereunder or make any determination or grant any consent thereunder, without the written consent of each Lender (or each Lender of such Class, as the case may be);

(xi) change or waive any provision of Article X as the same applies to any Agent, or any other provision hereof as the same applies to the rights or obligations of any Agent, in each case without the written consent of such Agent;

(xii) expressly change or waive any condition precedent in Section 4.02 to any Borrowing without the written consent of the Supermajority Lenders;

provided further that, to the extent that any Lender (together with any other Lender that is a Controlled Investment Affiliate or a Related Party of such Lender) holds more than 50% of the sum of all the Loans outstanding and unused Commitments, any amendments, supplements or other modifications of any provision of any Loan Document (including any series of related waivers, amendments, supplements or modifications) which are materially adverse to the interests of the Lenders shall not be effective without the written consent of Supermajority Lenders, it being understood that any of the following will be materially adverse to the interests of the Lenders:

(i) changes to and waivers of Section 2.06(c), 2.08(c), 2.18, 6.07(f), 6.08, 6.09, 6.10, 6.11(a), 6.15, 8.03, 10.04(b)(iv), the definition of "Cumulative Credit" and the definition of "Permitted Acquisition", in each case, as in effect immediately prior to such change or waiver;

(ii) changes to and waivers of Section 6.01, as in effect immediately prior to such change or waiver, that permit the incurrence of additional Indebtedness or removes or modifies the requirement that intercreditor arrangements are reasonably satisfactory to the Supermajority Lenders;

(iii) changes to and waivers of Sections 6.02, 6.22 and 6.23, in each case, as in effect immediately prior to such change or waiver, that adversely affects the grant of and/or priority of the Liens on Collateral securing the Secured Obligations;

(iv) changes to and waivers of Sections 6.04 or 6.06, in each case, as in effect immediately prior to such change or waiver, that would permit additional cash or other assets to be distributed, disposed of or otherwise transferred to the Permitted Holders; and

(v) changes to and waivers of Section 5.10 that increase the dollar thresholds above those set forth therein on the Effective Date.

(c) Collateral. Without the consent of any other person, the applicable Loan Party or Parties and the Administrative Agent and/or Collateral Agent may (in its or their respective sole discretion, or shall, to the extent required by any Loan Document) enter into any amendment or waiver of any Loan Document, or enter into any new agreement or instrument, to effect the granting, perfection, protection, expansion or enhancement of any security interest in any Collateral or additional property to become Collateral for the benefit of the Secured Parties, or as required by local law to give effect to, or protect any security interest for the benefit of the Secured Parties, in any property or so that the security interests therein comply with applicable Requirements of Law.

(d) Dissenting Lenders. If, in connection with any proposed change, waiver, discharge or termination of the provisions of this Agreement as contemplated by Section 10.02(b), the consent of the Required Lenders is obtained but the consent of one or more of such other Lenders whose consent is required is not obtained, then Borrowers shall have the right to replace all, but not less than all, of such non-consenting Lender or Lenders (so long as all non-consenting Lenders are so replaced) with one or more persons pursuant to Section 2.15 so long as at the time of such replacement each such new Lender consents to the proposed change, waiver, discharge or termination.

SECTION 10.03 Expenses; Indemnity; Damage Waiver.

(a) Costs and Expenses. Borrowers shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent, the Collateral Agent, the Collateral Trustee, the Specified Lender and their respective Affiliates (including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, the Collateral Agent, the Collateral Trustee and the Specified Lender) in connection with the syndication of the credit facilities provided for herein (including the obtaining and maintaining of CUSIP numbers for the Loans), the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses (including the reasonable fees, charges and disbursements of a single counsel) incurred by the Lenders (other than the Specified Lender) in connection with the preparation, negotiation, execution, delivery and administration of the Loan Documents incurred on or prior to the Effective Date; *provided* that, such expenses specified in clause (ii) shall in no event exceed $70,000, (iii) all out-of-pocket expenses incurred by the Administrative Agent, the Collateral Agent, the Collateral Trustee or any Lender (including the fees, charges and disbursements of any counsel for the Administrative Agent, the Collateral Agent, the Collateral Trustee or any Lender), in connection with the enforcement or protection of its rights (A) in connection with this Agreement and/or the other Loan Documents, including its rights under this Section 10.03, or (B) in connection with the Loans made hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans and (iv) all documentary and similar taxes and charges in respect of the Loan Documents.

(b) Indemnification by Borrowers. Borrowers shall, jointly and severally, indemnify the Administrative Agent (and any sub-agent thereof), the Collateral Agent (and any sub-agent thereof),

the Collateral Trustee, each Lender, and each Related Party of any of the foregoing persons (each such person being called an "**Indemnitee**") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of any counsel for any Indemnitee) incurred by any Indemnitee or asserted against any Indemnitee by any third party or by any Borrower or any other Loan Party arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby; (ii) any Loan or the use or proposed use of the proceeds therefrom; (iii) any actual or alleged presence or Release or threatened Release of Hazardous Materials on, at, under or from any property owned, leased or operated by any Company at any time, any violation of, noncompliance with, or liability or obligation under, any Environmental Laws, any orders, requirements or demands of any Governmental Authority relating to any Environmental Laws or Environmental Permits, or any Environmental Claim related in any way to any Company; or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by any Borrower or any other Loan Party, and regardless of whether any Indemnitee is a party thereto; *provided* that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by any Borrower or any other Loan Party against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if such Borrower or such Loan Party has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction.

(c) Reimbursement by Lenders. To the extent that any Borrower for any reason fails to indefeasibly pay any amount required under paragraph (a) or (b) of this Section 10.03 to be paid by it to the Administrative Agent (or any sub-agent thereof), the Collateral Agent, the Collateral Trustee or any Related Party of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent), the Collateral Agent (or any sub-agent thereof), the Collateral Trustee or such Related Party, as the case may be, such Lender's *pro rata* share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; *provided* that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent), the Collateral Trustee, the Collateral Agent (or any sub-agent thereof) or against any Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent), the Collateral Agent (or any sub-agent thereof) or the Collateral Trustee in connection with such capacity. For purposes hereof, a Lender's "*pro rata* share" shall be determined based upon its share of the sum of the total Loans Outstanding and unused Commitments at the time.

(d) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable Requirements of Law, no Loan Party shall assert, and each Loan Party hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or the use of the proceeds thereof. No Indemnitee referred to in paragraph (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

(e) Payments. All amounts due under this Section shall be payable not later than 3 Business Days after demand therefore accompanied by appropriate invoices or other evidence of amounts owed.

(f) Collateral Trustee as Third Party Beneficiary. The Collateral Trustee is hereby made an express third party beneficiary of this Section 10.03.

SECTION 10.04 Successors and Assigns.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that none of the Borrowers may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent, the Collateral Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of paragraph (b) of this Section 10.04, (ii) by way of participation in accordance with the provisions of paragraph (d) of this Section 10.04 or (iii) by way of pledge or assignment of a security interest subject to the restrictions of paragraph (f) of this Section (and any other attempted assignment or transfer by any Borrower or any Lender shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in paragraph (d) of this Section and, to the extent expressly contemplated hereby, the other Indemnitees) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); *provided* that:

(i) except in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund with respect to a Lender, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the applicable Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date) shall not be less than $5.0 million, unless the Administrative Agent and, so long as no Default has occurred and is continuing, Borrowers otherwise consent (each such consent not to be unreasonably withheld or delayed);

(ii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loan or the Commitment assigned, except that this clause (ii) shall not prohibit any Lender from assigning all or a portion of its rights and obligations among separate tranches on a non-*pro rata* basis;

(iii) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of $3,500, and the Eligible Assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire; and

(iv) in the case of an assignment to Borrowers, Holdings or any Subsidiary Guarantor, (A) such assigned Loans or Commitments may not be further assigned to any person other than to a Borrower, Holdings or any Subsidiary Guarantor, (B) the Borrowers, Holdings or any Subsidiary Guarantor shall not be entitled to participate as a Lender in any Lender meetings, (C) the Borrowers, Holdings or any Subsidiary Guarantor shall not be permitted to vote in connection with any amendment, modification, waiver, consent or other action with respect to the terms of any Loan Document, other than with respect to any such amendment, modification, waiver, consent or other action described in clauses (i) through (xiv) of Section 10.02(b); *provided* that no amendment, modification, waiver, consent or other action to any Loan Document shall deprive the Borrowers, Holdings or any Subsidiary Guarantor of its pro rata share of any payments to which it is entitled to share in its capacity as a Lender under the Loan Documents; *provided, further* that the Administrative Agent is authorized to automatically deem any Loans or unused Commitments held by any Borrower, Holdings or any Subsidiary Guarantor to be voted (and, at the request of the Supermajority Lenders, is authorized to appoint an independent third party reasonably acceptable to such Supermajority Lenders as attorney in fact for any such Borrower, Holdings or any such Subsidiary Guarantor with respect to such Loans and/or unused Commitments then held by any such Borrower, Holdings or any such Subsidiary Guarantor to be voted) pro rata according to the Loans and unused Commitments of all other Lenders in the aggregate (other than any Borrower, Holdings or Subsidiary Guarantor that is a Lender) in connection with any such amendment, modification, waiver, consent or other action (including, without limitation, all voting and consent rights arising out of any bankruptcy or other insolvency proceedings, including voting on any plan of reorganization), and (D) prior to consummating any proposed assignment of the Loans and/or Commitments to Borrowers, Holdings or any Subsidiary Guarantor (a "**Proposed Assignment**"), Borrowers, Holdings or such Subsidiary Guarantor, as applicable, shall notify each Lender of the principal amount and purchase price (specified as a percentage of par) of such Proposed Assignment and shall offer each Lender the right to participate on a pro rata basis in such Proposed Assignment, which offer shall remain open for at least five Business Days.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to paragraph (c) of this Section 10.04, from and after the effective date specified in each Assignment and Assumption, the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 2.11, 2.13, 2.15 and 10.03 with respect to facts and circumstances occurring prior to the effective date of such assignment. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (d) of this Section 10.04.

(c) Register. The Administrative Agent, acting solely for this purpose as an agent of Borrowers, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "**Register**"). The entries in the Register shall be conclusive, and Borrowers, the Administrative Agent, and the Lenders may treat each person whose name is recorded in the Register pursuant to the

terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by any Borrower, the Collateral Agent and any Lender (with respect to its own interest only), at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, any Borrower or the Administrative Agent sell participations to any person (other than a natural person or any Borrower or any Affiliates of a Borrower or Subsidiaries) (each, a "**Participant**") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); *provided* that (i) such Lender's obligations under this Agreement shall remain unchanged; (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations; and (iii) such Borrower, the Administrative Agent and the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce the Loan Documents and to approve any amendment, modification or waiver of any provision of the Loan Documents; *provided* that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in clause (i), (ii) or (iii) of the first proviso to Section 10.02(b) that affects such Participant. Subject to paragraph (e) of this Section, Borrowers agree that each Participant shall be entitled to the benefits of Sections 2.11, 2.12 and 2.14 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.14 as though it were a Lender.

(e) Limitations on Participant Rights. A Participant shall not be entitled to receive any greater payment under Sections 2.11, 2.12 and 2.14 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with Borrowers' prior written consent. A Participant shall not be entitled to the benefits of Section 2.14 unless Borrowers are notified of the participation sold to such Participant and such Participant agrees, for the benefit of Borrowers, to comply with Section 2.14(e) as though it were a Lender.

(f) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; *provided* that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto. In the case of any Lender that is a fund that invests in bank loans, such Lender may, without the consent of Borrowers or the Administrative Agent, collaterally assign or pledge all or any portion of its rights under this Agreement, including the Loans and Notes or any other instrument evidencing its rights as a Lender under this Agreement, to any holder of, trustee for, or any other representative of holders of, obligations owed or securities issued, by such fund, as security for such obligations or securities.

SECTION 10.05 Survival of Agreement. All covenants, agreements, representations and warranties made by the Loan Parties in the Loan Documents and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document

shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of the Loan Documents and the making of any Loans, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Agents or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid and so long as the Commitments have not expired or terminated. The provisions of Sections 2.11, 2.13, 2.14 and Article X shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Commitments or the termination of this Agreement or any provision hereof.

SECTION 10.06 Counterparts; Integration; Effectiveness; Electronic Execution.

(a) Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Loan Documents, and any separate letter agreements with respect to fees payable to the Administrative Agent, constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

(b) Electronic Execution of Assignments. The words "execution," "signed," "signature," and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable Requirement of Law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

SECTION 10.07 Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 10.08 Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable Requirements of Law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender or any such Affiliate to or for the credit or the account of any Borrower or any other Loan Party against any and all of the obligations of such Borrower or such Loan Party now or hereafter existing under this Agreement or any other Loan Document to such Lender, irrespective of whether or not such Lender shall have made any demand under

this Agreement or any other Loan Document and although such obligations of such Borrower or such Loan Party may be contingent or unmatured or are owed to a branch or office of such Lender different from the branch or office holding such deposit or obligated on such indebtedness. The rights of each Lender and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender or its Affiliates may have. Each Lender agrees to notify Borrowers and the Administrative Agent promptly after any such setoff and application; *provided* that the failure to give such notice shall not affect the validity of such setoff and application.

SECTION 10.09 Governing Law; Jurisdiction; Consent to Service of Process.

(a) Governing Law. This Agreement shall be construed in accordance with and governed by the law of the State of New York, without regard to conflicts of law principles that would require the application of the laws of another jurisdiction.

(b) Submission to Jurisdiction. Each Loan Party hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to any Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State court or, to the fullest extent permitted by applicable law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or any other Loan Document shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against any Loan Party or its properties in the courts of any jurisdiction.

(c) Waiver of Venue. Each Loan Party hereby irrevocably and unconditionally waives, to the fullest extent permitted by applicable Requirements of Law, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in Section 10.09(b). Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable Requirements of Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Service of Process. Each party hereto irrevocably consents to service of process in any action or proceeding arising out of or relating to any Loan Document, in the manner provided for notices (other than telecopier) in Section 10.01. Nothing in this Agreement or any other Loan Document will affect the right of any party hereto to serve process in any other manner permitted by applicable Requirements of Law.

SECTION 10.10 Waiver of Jury Trial. Each Loan Party hereby waives, to the fullest extent permitted by applicable Requirements of Law, any right it may have to a trial by jury in any legal proceeding directly or indirectly arising out of or relating to this Agreement, any other Loan Document or the transactions contemplated hereby (whether based on contract, tort or any other theory). Each party hereto (a) certifies that no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the

foregoing waiver and (b) acknowledges that it and the other parties hereto have been induced to enter into this Agreement by, among other things, the mutual waivers and certifications in this Section.

SECTION 10.11 Obligations Joint and Several. The liability of the Borrowers for all amounts due to any Agent, any Lender or any Indemnitees in respect of any of the Obligations shall be joint and several regardless of which Borrower actually received Loans hereunder or the amount of such Loans or the manner in which the Lenders or the Agents account for such Loans in their respective books and records.

SECTION 10.12 Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 10.13 Treatment of Certain Information; Confidentiality. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, advisors and other representatives (it being understood that the persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential); (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the National Association of Insurance Commissioners); (c) to the extent required by applicable Requirements of Law or by any subpoena or similar legal process; (d) to any other party hereto; (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder; (f) subject to an agreement containing provisions substantially the same as those of this Section 10.13, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to any Borrower and its obligations or (iii) any rating agency for the purpose of obtaining a credit rating applicable to any Lender; (g) with the consent of Borrowers; or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to the Administrative Agent, any Lender or any of their respective Affiliates on a nonconfidential basis from a source other than any Borrower. For purposes of this Section, "**Information**" means all information received from any Borrower or any of its Subsidiaries relating to any Borrower or any of its Subsidiaries or any of their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by any Borrower or any of its Subsidiaries; *provided* that, in the case of information received from any Borrower or any of its Subsidiaries after the date hereof, such information is clearly identified at the time of delivery as confidential. Any person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such person has exercised the same degree of care to maintain the confidentiality of such Information as such person would accord to its own confidential information.

SECTION 10.14 USA PATRIOT Act Notice. Each Lender that is subject to the USA PATRIOT Act and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies Borrowers that pursuant to the requirements of the USA PATRIOT Act, it is required to obtain, verify and record information that identifies Borrowers, which information includes the name, address and tax identification number of Borrowers and other information regarding Borrowers that will allow such Lender or the Administrative Agent, as applicable, to identify Borrowers in accordance with the USA

PATRIOT Act. This notice is given in accordance with the requirements of the USA PATRIOT Act and is effective as to the Lenders and the Administrative Agent.

SECTION 10.15 Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable Requirements of Law (collectively, the "**Charges**"), shall exceed the maximum lawful rate (the "**Maximum Rate**") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable Requirements of Law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

SECTION 10.16 [Intentionally Omitted].

SECTION 10.17 Obligations Absolute. To the fullest extent permitted by applicable Requirements of Law, all obligations of the Loan Parties hereunder shall be absolute and unconditional irrespective of:

(a) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or the like of any Loan Party;

(b) any lack of validity or enforceability of any Loan Document or any other agreement or instrument relating thereto against any Loan Party;

(c) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from any Loan Document or any other agreement or instrument relating thereto;

(d) any exchange, release or non-perfection of any other Collateral, or any release or amendment or waiver of or consent to any departure from any guarantee, for all or any of the Obligations;

(e) any exercise or non-exercise, or any waiver of any right, remedy, power or privilege under or in respect hereof or any Loan Document; or

(f) any other circumstances which might otherwise constitute a defense available to, or a discharge of, the Loan Parties.

SECTION 10.18 Judgment Currency.

(a) Each Borrower's obligations hereunder and under the other Loan Documents to make payments in Dollars (the "**Obligation Currency**") shall not be discharged or satisfied by any tender or recovery pursuant to any judgment expressed in or converted into any currency other than the Obligation Currency, except to the extent that such tender or recovery results in the effective receipt by the Administrative Agent or the respective Lender of the full amount of the Obligation Currency expressed to be payable to the Administrative Agent or such Lender or under this Agreement or the other

Loan Documents. If, for the purpose of obtaining or enforcing judgment against Borrower in any court or in any jurisdiction, it becomes necessary to convert into or from any currency other than the Obligation Currency (such other currency being hereinafter referred to as the "**Judgment Currency**") an amount due in the Obligation Currency, the conversion shall be made at the rate of exchange (as quoted by the Administrative Agent or if the Administrative Agent does not quote a rate of exchange on such currency, by a known dealer in such currency designated by the Administrative Agent) determined, in each case, as of the Business Day immediately preceding the day on which the judgment is given (such Business Day being hereinafter referred to as the "**Judgment Currency Conversion Date**").

(b) If there is a change in the rate of exchange prevailing between the Judgment Currency Conversion Date and the date of actual payment of the amount due, each Borrower covenants and agrees to pay, or cause to be paid, such additional amounts, if any (but in any event not a lesser amount) as may be necessary to ensure that the amount paid in the Judgment Currency, when converted at the rate of exchange prevailing on the date of payment, will produce the amount of the Obligation Currency which could have been purchased with the amount of Judgment Currency stipulated in the judgment or judicial award at the rate of exchange prevailing on the Judgment Currency Conversion Date.

(c) For purposes of determining the Relevant Currency Equivalent or any other rate of exchange for this Section 10.18, such amounts shall include any premium and costs payable in connection with the purchase of the Obligation Currency.

SECTION 10.19 Restatement of Pre-Petition Credit Agreement.

The parties hereto agree that on the Effective Date, the following transactions shall be deemed to occur automatically, without further action by any party hereto:

(a) the Pre-Petition Credit Agreement shall be deemed to be amended and restated in its entirety in the form of this Agreement;

(b) all existing "Obligations" (under and as defined in the Pre-Petition Credit Agreement) under the Pre-Petition Credit Agreement ("**Existing Obligations**") shall, to the extent not paid on the Effective Date, be deemed to be Obligations outstanding hereunder;

(c) the guaranties and Liens in favor of administrative agent, collateral agent or collateral trustee under the Pre-Petition Credit Agreement for the benefit of the lenders under the Pre-Petition Credit Agreement securing payment of the Existing Obligations, whether registered, recorded or otherwise perfected, shall remain in full force and effect and shall be continuing with respect to the Obligations; and

(d) all references in the other Loan Documents to the Pre-Petition Credit Agreement shall be deemed to refer without further amendment to this Agreement.

The parties hereto acknowledge and agree that this Agreement and the other Loan Documents do not constitute a novation, payment and reborrowing or termination of the Existing Obligations and that all such Existing Obligations are in all respects continued and outstanding as Obligations under this Agreement with only the terms being modified from and after the Effective Date as provided in this Agreement and the other Loan Documents.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

MAGNACHIP SEMICONDUCTOR S.A., a Luxembourg company

By: _____
Name:
Title:

MAGNACHIP SEMICONDUCTOR FINANCE COMPANY, a Delaware limited liability company

By: _____
Name:
Title:

MAGNACHIP SEMICONDUCTOR LLC, a Delaware limited liability company

By: _____
Name:
Title:

SUBSIDIARY GUARANTORS

MAGNACHIP SEMICONDUCTOR, INC., a California company

By: _____
Name:
Title:

MAGNACHIP SEMICONDUCTOR SA HOLDINGS LLC, a Delaware limited liability company

By: _____
Name:
Title:

MAGNACHIP SEMICONDUCTOR LIMITED, a company incorporated in England and Wales with registered number 05232381

By: _____
Name:
Title:

MAGNACHIP SEMICONDUCTOR HOLDING COMPANY LIMITED, a company incorporated in the British Virgin Islands

By: _____
Name:
Title:

MAGNACHIP SEMICONDUCTOR, INC., a Japanese company

By: _____
Name:
Title:

For execution as a deed:

SEALED WITH THE COMMON SEAL)
OF MAGNACHIP SEMICONDUCTOR)
LIMITED AND SIGNED)
BY _____)
in the presence of:)

Witness: _____

Name:

Address:

Witness: _____

Name:

Address:

MAGNACHIP SEMICONDUCTOR LIMITED, a
Taiwan company

By: _____
Name:
Title:

MAGNACHIP SEMICONDUCTOR B.V.

By: _____
Name:
Title:

WILMINGTON TRUST FSB, as Administrative Agent
and Collateral Agent

By: _____
Name:
Title:

By: _____
Name:
Title:

AVENUE INVESTMENTS, L.P.

By: Avenue Partners, LLC, its General Partner

By: _____
Name:
Title:

GOLDMAN SACHS LENDING PARTNERS LLC

By: _____
Name:
Title:

CITICORP NORTH AMERICA INC.

By: _____
Name:
Title:

Exhibit 10.2

Execution Copy

Intellectual Property License Agreement

This Intellectual Property License Agreement (this "Agreement") is made and entered into this 6 day of October, 2004, by and between MagnaChip Semiconductor, Ltd., a company organized and existing under the Laws of the Republic of Korea ("Korea"), with offices at 1, Hyangjeong-dong, Heungduk-gu, Cheongju-si, Chungcheongbuk-do, Korea ("Purchaser"), and Hynix Semiconductor Inc., a corporation organized under the Laws of Korea, with offices at San 136-1, Ami-Ri, Bubal-Eub, Ichon-Si. Kyoungki-Do, Korea ("Hynix"). Either Purchaser or Hynix may be referred to herein as a "Party" or together as the "Parties," as the case may require.

RECITALS

WHEREAS, Purchaser and Hynix have entered into a certain Business Transfer Agreement, dated as of June 12, 2004, as amended (the "Business Transfer Agreement") pursuant to which Purchaser will acquire all of the Acquired Assets and assume all of the Assumed Liabilities upon the terms and conditions set forth in the Business Transfer Agreement;

WHEREAS, the Parties wish to license to each other certain Intellectual Property in accordance with the terms and conditions contained in this Agreement; and

WHEREAS, the execution and delivery of this Agreement is required by the Business Transfer Agreement and is a condition to closing of the transactions contemplated thereunder.

NOW, THEREFORE, in consideration of the promises and the mutual covenants and undertakings contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties, intending to be legally bound hereby, do agree as follows:

1. DEFINITIONS

Capitalized terms used herein shall have the meanings ascribed to such terms in the Business Transfer Agreement unless otherwise defined herein or as set forth below.

1.1. "Confidential Information" means (i) all information and proprietary materials of Hynix which is not publicly known and is in the possession of, or disclosed by Hynix to, Purchaser or a representative of Purchaser and relating to Hynix's business (after giving effect to the transactions contemplated by the Business Transfer Agreement), including but not limited to Hynix's Intellectual Property and proprietary business information and (ii) all information and proprietary materials of Purchaser (after giving effect to the transactions contemplated by the Business Transfer Agreement) which is not publicly known and is in the possession of, or disclosed by Purchaser to, Hynix or a representative of Hynix and relating to Purchaser's business, including but not limited to Purchaser's Intellectual Property and proprietary business information.

1.2. "Hynix Licensed Intellectual Property" means any Intellectual Property (other than Purchaser Licensed Intellectual Property (as defined below)) of Hynix and/or

any Subsidiaries of Hynix, as such Intellectual Property existed as of the Closing Date; provided however that Hynix shall have the right to delete, from time to time, from the definition of Hynix Licensed Intellectual Property, any Patents (as defined below) which Hynix chooses in its sole discretion to abandon. In the case that Hynix abandons any Patent(s) as permitted pursuant to the foregoing sentence, notwithstanding any other provision to the contrary, the license granted under this Agreement for such Patent shall immediately terminate.

1.3. "Intellectual Property" means patents, patent applications, utility models, utility model applications and industrial design registrations and applications, together with any continuations, continuations-in-part or divisional applications thereof, and all patents issued or issuing thereon and unfiled invention disclosures (the "Patents"), as well as other technology, know-how, trade secrets, processes, formulae, technical information, designs, data, documentation, drawings, plans, specifications, formulations, methods, procedures and reports, and other general and specific knowledge, experience, techniques and information, in written or machine-readable form and otherwise (collectively, the "Know-How"), the mask work rights/chip layout (regardless of registration) ("Mask Works"), and software and copyrights (including without limitation computer programs and computer program registrations and applications) ("Copyrights"), but expressly excluding for purposes of this definition, trademarks, service marks, trade names, logotypes, slogans, and trade dress associated therewith and/or product or part identification codes ("Trademarks") and applications for Trademarks.

1.4. "Purchaser '022 Patents'" means U.S. Patent No. 5,438,022 and its foreign counterparts that are part of the Acquired Assets which have been transferred to Purchaser under the Business Transfer Agreement.

1.5. "Purchaser Licensed Intellectual Property" means those of the Acquired Assets which are Intellectual Property, as such Intellectual Property existed as of the Closing Date; provided however that Purchaser shall have the right to delete, from time to time, from the definition of Purchaser Licensed Intellectual Property, any Patents which Purchaser chooses in its sole discretion to abandon. In the case that Purchaser abandons any Patent(s) as permitted pursuant to the foregoing sentence, notwithstanding any other provisions to the contrary, the license granted under this Agreement for such Patent shall immediately terminate.

2. LICENSE GRANT TO PURCHASER

2.1. LICENSED INTELLECTUAL PROPERTY

(a) As of the Closing Date and subject to the terms and conditions of this Agreement, Hynix hereby grants to Purchaser and its Subsidiaries a perpetual, worldwide, paid-up, royalty-free, non-exclusive, non-transferable (except as permitted under Section 7.13 of this Agreement) right and personal license under and to the Hynix Licensed Intellectual Property to (i) with respect to the Hynix Licensed Intellectual Property which are Patents related or directed to semiconductor products or their method of manufacture ("Product Patents"), design, develop, manufacture, have

manufactured, make, have made, use, lease, offer for sale, sell, export and import, package, modify or otherwise dispose of (A) any semiconductor product(s) other than Memory Products, and/or (B) Memory Products which Purchaser manufactures for Hynix and/or any Subsidiary(ies) of Hynix, (ii) copy, have copied, use or have used any other manufacturing technology included in the Hynix Licensed Intellectual Property to design, develop, manufacture, have manufactured, make or have made, package or modify (A) any semiconductor product(s) other than Memory Products, and/or (B) Memory Products which Purchaser manufactures for Hynix and/or any Subsidiary(ies) of Hynix; and (iii) with respect to Hynix Licensed Intellectual Property which are not Products Patents or other manufacturing technology, to copy and use such Hynix Licensed Intellectual Property, and to create derivative works thereof and copy and use such derivative works, in the conduct of its business; provided, however, that with respect to softwares which are Hynix Licensed Intellectual Property, the license granted hereunder shall be limited to such softwares existing as of the Closing Date and which are used or have been used in the Business on or prior to the Closing Date. For the avoidance of doubt and without limiting the foregoing sentence, the Parties agree that the license granted hereunder shall include the following softwares: ADMS, IP Web, Legal System and EGGS (Employee/Officer General Supporting System). In addition, for the avoidance of doubt, and notwithstanding the foregoing or any other provision to the contrary, Purchaser shall have the right to create any improvements, developments, enhancements, modifications, and/or derivative works to the Hynix Licensed Intellectual Property.

(b) Notwithstanding the foregoing or any other provision of this Agreement to the contrary, nothing in this Section 2.1 shall be interpreted to allow Purchaser or any Subsidiary of Purchaser to, directly or indirectly, take any action that would violate the covenant not to compete in Section 6.4 of the Business Transfer Agreement.

2.2. SOFTWARE

As of the Closing Date and subject to the terms and conditions of this Agreement, Hynix hereby agrees to transfer to Purchaser, with respect to each commercial and custom software application, (a) with respect to the software applications on Schedule 2.2, that number of software licenses (that is, individual installations or usage rights) as is listed on Schedule 2.2 and (b) with respect to all other software applications, a number of software licenses equal to the number used by the Business as of the Closing Date; provided, however, that the on-going costs and expenses related to such software applications accrued after the Closing Date will be borne solely by Purchaser.

2.3. HYNIX REGISTERED USER REQUIREMENTS

Hynix may, on behalf of both Parties and at its expense, take such action, in its sole discretion, that it deems necessary or desirable with respect to compliance with registered user or similar filing requirements of, or to otherwise cause the license granted by Hynix under this Agreement to be registered with, the appropriate authorities of the government of any jurisdiction. In addition, Hynix shall, on behalf of both Parties, take such other requested action with respect to compliance with registered user or similar filing requirements of, or to otherwise cause the license granted by Hynix under this Agreement to be registered with, the appropriate authorities of the government of any jurisdiction upon, the reasonable request of Purchaser and at Purchaser's expense.

2.4. HYNIX OBLIGATIONS REGARDING PROSECUTION AND MAINTENANCE OF PATENTS AND ABANDONMENT

Hynix shall have no obligation to Purchaser with respect to the prosecution or injunction of any infringement, violation, misappropriation and/or interference by third parties with respect to the Hynix Licensed Intellectual Property or any associated intellectual property rights. For Patents that are abandoned as permitted in Section 1.2, Hynix shall have no further obligation to Purchaser with respect to such Patents after the abandonment of such Patents.

3. LICENSE GRANT TO HYNIX

3.1. LICENSE GRANT

(a) As of the Closing Date and subject to the terms and conditions of this Agreement, Purchaser hereby grants to Hynix and its Subsidiaries a perpetual, worldwide, paid-up, royalty-free, non-exclusive, non-transferable (except as permitted under Section 7.13 of this Agreement) right and personal license under and to the Purchaser Licensed Intellectual Property to (i) with respect to the Purchaser Licensed Intellectual Property which are Product Patents, design, develop, manufacture, have manufactured, make, have made, use, lease, offer for sale, sell, export and import, package, modify or otherwise dispose of any semiconductor product(s), (ii) copy, have copied, use or have used any other manufacturing technology included in the Purchaser Licensed Intellectual Property to design, develop, manufacture, have manufactured, make or have made, package or modify any semiconductor product(s), and (iii) with respect to Purchaser Licensed Intellectual Property which are not Product Patents or other manufacturing technology; to copy and use such Purchaser Licensed Intellectual Property, and to create derivative works thereof and copy and use such derivative works, in the conduct of its business. For the avoidance of doubt, and notwithstanding the foregoing or any other provision to the contrary, Hynix shall have the right to create any improvements, developments, enhancements, modifications, and/or derivative works to the Purchaser Licensed Intellectual Property.

(b) Notwithstanding the foregoing, nothing in this Agreement shall be interpreted to allow Hynix and/or any Hynix Subsidiary(ies) to directly or indirectly, take any action that would violate the covenant not to compete in Section 6.4 of the Business Transfer Agreement.

(c) Purchaser agrees that its and its Subsidiaries' rights to the Purchaser '022 Patents' will be subject to all licenses Hynix has granted to third parties which were in effect as of June 12, 2004. In addition, in connection with claims against Hynix with respect to the infringement, violation or misappropriation of and/or interference with the intellectual property rights of a third party, Hynix shall have the right to sub-license to such third party its rights with respect to the Purchaser '022 Patents' under this Agreement.

3.2. PURCHASER REGISTERED USER REQUIREMENTS

Purchaser may, on behalf of both Parties and at its expense, take such action, in its sole discretion, that it deems necessary or desirable with respect to compliance with registered user or similar filing requirements of, or to otherwise cause the license granted by Purchaser under this Agreement to be registered with, the appropriate authorities of the government of any jurisdiction. In addition, Purchaser shall, on behalf of both Parties, take such other requested action with respect to compliance with registered user or similar filing requirements of, or to otherwise cause the license granted by Purchaser under this Agreement to be registered with, the appropriate authorities of the government of any jurisdiction, upon the reasonable request of Hynix and at Hynix's expense.

3.3. PURCHASER OBLIGATIONS REGARDING PROSECUTION AND MAINTENANCE OF PATENTS

Purchaser shall have no obligation to Seller with respect to the prosecution or injunction of any infringement, violation, misappropriation and/or interference by third parties with respect to the Purchaser Licensed Intellectual Property or any associated intellectual property rights. For Patents that are abandoned as permitted in Section 1.5, Purchaser shall have no further obligation to Hynix with respect to such Patents after the abandonment of such Patents.

4. RIGHT TO SUBLICENSE; NO IMPLIED LICENSES; INTELLECTUAL PROPERTY RIGHTS NOTICES

4.1. Notwithstanding any provision to the contrary, subject to Section 6.4 of the Business Transfer Agreement, each Party shall have the right to sublicense the license rights granted to it under this Agreement, for the sole purpose of having, in the case of Hynix, its Subsidiaries, or its agents and contractors, exercise its rights hereunder solely on its behalf to make, manufacture, design, develop or package any semiconductor products for Hynix; or in the case of Purchaser, Warrant Issuer's Subsidiaries, or its agents and contractors exercise its rights hereunder solely on its behalf to make, manufacture, design, develop or package any semiconductor products (other than Memory Products) for Purchaser or any

Memory Products for Hynix and/or any Subsidiary(ies) of Hynix. Notwithstanding the forgoing, neither Party shall sublicense the license rights granted to it under this Agreement to any direct or indirect Subsidiary of Warrant Issuer or Hynix, as the case may be, which at the time such Subsidiary became a direct or indirect Subsidiary of Warrant Issuer or Hynix, as the case may be, was actively operating a technology business (including a semiconductor business). In no event shall Hynix's Subsidiaries, or its agents and/or contractors, or the Warrant Issuer's Subsidiaries, or Purchaser's agents and/or contractors, make, manufacture, design, develop or package any products under this sublicense for, and/or sell any products made under this sublicense to, any party other than Hynix and/or any Subsidiary of Hynix or Purchaser and/or any Subsidiary(ies) of the Warrant Issuer, as the case may be.

4.2. NO IMPLIED LICENSE

Except for the licenses expressly granted in this Agreement, neither Party grants to the other Party by implication, estoppel or otherwise any license or other right to any of its Intellectual Property. In addition, neither Party grants any license, release or other right expressly, by implication, by estoppel or otherwise to any third party.

4.3. INTELLECTUAL PROPERTY RIGHTS NOTICES

Each Party agrees that, unless otherwise agreed by the Parties in writing, it will not obfuscate, remove or alter any of the trademarks, trade names, logos, patent, mask work or copyright notices, confidential or other proprietary legends or notices on or in the materials to which it is granted a license, and all such markings shall be included in all copies made by such Party of any portion of the materials to which it is granted a license hereunder.

5. CONFIDENTIALITY

Each Party shall protect the other's Confidential Information from unauthorized dissemination and use with the same degree of care that such Party uses to protect its own like information, but not less than reasonable care. Neither Party will use the other's Confidential Information except as permitted by the licenses hereunder or for purposes other than those necessary to directly further the purposes of this Agreement. Notwithstanding the foregoing or any other provision of this Agreement to the contrary, each Party shall only have the right to sublicense the Intellectual Property to which it is granted a license hereunder, subject to Section 4.1 and pursuant to the following: (i) with respect to a sublicense to a Subsidiary, to a Subsidiary which, prior to accessing any of the licensed Intellectual Property, is legally bound to the terms of an appropriate confidentiality agreement containing limitations no less restrictive than those set forth in Sections 2.1 and/or 3.1, as applicable, 4.3 and 5 of this Agreement and otherwise adequately protects the intellectual property rights of licensor in the Intellectual Property and who uses the Intellectual Property solely in accordance with the terms and conditions of this Agreement; and/or (ii) with respect to any third party agent and/or contractor, to a

third party agent and/or contractor with a need to know who is hired by the party to whom a license to the applicable Intellectual Property has been granted hereunder, who uses the applicable Intellectual Property solely for the benefit of the applicable licensee hereunder, and who, prior to accessing any of the licensed Intellectual Property, has signed an appropriate confidentiality agreement, which agreement contains provisions no less restrictive than those set forth in Sections 2.1 and/or 3.1, as applicable, 4.3 and 5 of this Agreement and otherwise adequately protects the intellectual property rights of licensor in the Intellectual Property and who uses the Intellectual Property solely in accordance with the terms and conditions of this Agreement. Except as permitted by the licenses hereunder or as required by law or order of any governmental authority (provided that such disclosure will be done under reasonable steps to protect confidentiality, such as a protective order), neither Party will disclose to any third parties the other's Confidential Information without the prior written consent of the other Party. Except as expressly provided in this Agreement, no ownership or license right is granted in any Confidential Information. The Parties' obligations of confidentiality under this Agreement shall not be construed to limit either Party's right to independently develop or acquire products without use of, or reference to, the other Party's Confidential Information. The confidentiality obligations of the Parties under this Agreement shall terminate with respect to any specific Confidential Information five (5) years from the date of receipt thereof.

Each Party agrees not to disclose the content or nature of this Agreement to any third party without the prior written consent of the other Party; provided, however, that this obligation shall not apply to a Party (i) to the extent such Party is required by law or order of any governmental authority (provided that such Party takes reasonable steps to protect the confidentiality of such information, such as a protective order) to disclose this Agreement, but only to the extent necessary to comply with such law or order; (ii) to the extent necessary for such Party to enforce or exercise its rights under this Agreement, (iii) to the extent reasonably necessary and on a confidential basis, to its accountants, attorneys, financial advisers and potential investors in or acquirers of such Party or (iv) with respect to such Party's disclosure and public filing of this Agreement (and its terms and conditions) in connection with a public offering of securities by such Party or its Affiliates.

6. DISCLAIMERS

EXCEPT AS EXPRESSLY PROVIDED IN THE BUSINESS TRANSFER AGREEMENT, THE HYNIX LICENSED INTELLECTUAL PROPERTY IS PROVIDED "AS IS" WITHOUT ANY REPRESENTATION OR WARRANTY AND HYNIX MAKES NO, AND EXPRESSLY DISCLAIMS ANY AND ALL OTHER REPRESENTATIONS AND WARRANTIES, WHETHER EXPRESS OR IMPLIED OR STATUTORY, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NON-INFRINGEMENT, WITH RESPECT TO THE SUBJECT MATTER OF THIS AGREEMENT. EXCEPT AS EXPRESSLY PROVIDED IN THE BUSINESS TRANSFER AGREEMENT, THE PURCHASER LICENSED INTELLECTUAL PROPERTY IS PROVIDED "AS IS" WITHOUT ANY REPRESENTATION OR

WARRANTY AND PURCHASER MAKES NO, AND EXPRESSLY DISCLAIMS ANY AND ALL REPRESENTATIONS AND WARRANTIES, WHETHER EXPRESS OR IMPLIED OR STATUTORY, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NON-INFRINGEMENT, WITH RESPECT TO THE SUBJECT MATTER OF THIS AGREEMENT.

7. GENERAL

7.1. TERM AND TERMINATION

The term of this Agreement shall become effective as of the Closing Date and shall continue to be effective until terminated by mutual agreement of the Parties, provided that this Agreement and all licenses hereunder may be earlier terminated by either Party if the other Party materially breaches any of the terms and conditions of this Agreement and fails to remedy such breach within 60 days after written notice thereof.

7.2. RELATIONSHIP OF THE PARTIES

This Agreement does not create a fiduciary or agency relationship between Hynix and Purchaser, each of which shall be and at all times remain independent companies for all purposes hereunder. Nothing in this Agreement is intended to make either Party a general or special agent, joint venturer, partner or employee of the other for any purpose.

7.3. COUNTERPARTS

This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to the other Party.

7.4. GOVERNING LAW; CONSENT TO JURISDICTION

This Agreement shall be governed by and construed in accordance with the Laws of the Korea without giving effect to the rules of conflict of laws of the Korea that would require application of any other Law. Purchaser and Hynix each consent to and hereby submit to the non-exclusive jurisdiction of the Seoul Central District Court located in the Korea in connection with any action, suit or proceeding arising out of or relating to this Agreement, and each of the Parties irrevocably waives, to the fullest extent permitted by Law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

7.5. ENTIRE AGREEMENT

This Agreement and the Business Transfer Agreement constitute the entire agreement between the Parties with respect to the subject matter hereof, and supersede any prior agreements, understandings or other communications, written or oral, between the Parties with respect to the subject matter hereof, and there are no agreements, understandings, representations or warranties between the Parties with respect to the subject matter hereof other than those set forth herein or the Business Transfer Agreement.

7.6. NO THIRD-PARTY BENEFICIARIES

Nothing in this Agreement, express or implied, is intended to or shall confer on any Person other than the Parties and their respective successors or permitted assigns any rights (including third party beneficiary rights), remedies, obligations or liabilities under or by reason of this Agreement. This Agreement shall not provide third parties with any remedy, claim, liability, reimbursement, cause of action or other right in excess of those existing without reference to the terms of this Agreement.

7.7. INTERPRETATION; ABSENCE OF PRESUMPTION

(a) For the purposes hereof, (i) words in the singular shall be held to include the plural and vice versa and words of one gender shall be held to include the other gender as the context requires, (ii) the terms “hereof,” “herein,” and “herewith” and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, and Article, Section and paragraph references are to the Articles, Sections and paragraphs to this Agreement unless otherwise specified, (iii) the word “including” and words of similar import when used in this Agreement means “including, without limitation,” unless the context otherwise requires or unless otherwise specified, (iv) the word “or” shall not be exclusive, (v) provisions shall apply, when appropriate, to successive events and transactions, and (vi) all references to any period of days shall be deemed to be to the relevant number of calendar days.

(b) This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the Party drafting or causing any instrument to be drafted.

7.8. FORCE MAJEURE

A Party shall not be liable for a failure or delay in the performance of any of its obligations under this Agreement where such failure or delay is the result of conditions beyond the control of said Party, such as fire, flood, or other natural disaster, act of God, war, embargo, riot, labor dispute, or the intervention of any government authority, providing that the Party failing in or delaying its performance immediately notifies the other Party of its inability to perform and states the reason for such inability.

7.9. PUBLICITY

Neither Party shall, without the approval of the other Party, make any press release or other public announcement concerning the terms of the transactions contemplated by this Agreement, except as allowed under Section 5.

7.10. FURTHER ASSURANCES

Each Party shall cooperate and take such action as may be reasonably requested by the other Party in order to carry out the provisions and purposes of this Agreement and the transactions contemplated hereby.

7.11. EXPORT CONTROL

The Parties shall comply with any and all export regulations and rules now in effect or as may be issued from time to time by the Office of Export Administration of the United States Department of Commerce, Korean governmental authority, or any other governmental authority which has jurisdiction relating to the export of technology.

7.12. NOTICES

Any notice, request, demand, waiver, consent, approval or other communication which is required or permitted to be given to any Party hereunder shall be in writing and shall be deemed duly given only upon delivery to the Party personally (including by reputable overnight courier service), when telecopied (with confirmation of transmission having been received) during normal business hours or three days after being mailed by registered or certified mail (return receipt requested), with postage and registration or certification fees thereon prepaid, addressed to the Party at its address set forth below (or at such other address for a Party as shall be specified by such Party by like notice):

If to Purchaser:

MagnaChip Semiconductor, Ltd.
Hyangjeong-dong
Heungduk-gu
Cheongju City
Chung Cheong Bok-do
Korea
Fax: +82-43-270-2134
Attention: Dr. Youm Huh

with a copy to:

Dechert LLP
4000 Bell Atlantic Tower
1717 Arch Street
Philadelphia, PA 19103
Fax: 215-994-2222
Attention: Geraldine A. Sinatra, Esq.

and

Dechert LLP
30 Rockefeller Plaza
New York, NY 10112
Fax: (212) 698-3599
Attention: Sang H. Park, Esq.

If to Hynix:

Hynix Semiconductor Inc.
Hynix Youngdong Bldg 891
Daechi-dong
Kangnam-gu, Seoul 135-738
Korea
Fax: 82-2-3459-3555
Attention: Mr. Dong Soo Chung

with a copy to:

Bae, Kim & Lee
647-15 Yoksam-dong
Kangnam-gu, Seoul 135-738
Korea
Fax: +82 2 3404 0803
Attention: Gun Chul Do, Esq.

with a copy to:

Sullivan & Cromwell LLP
1888 Century Park East
Los Angeles, CA 90067
Fax: (310) 712-8800
Attention: Alison S. Ressler, Esq.

7.13. ASSIGNMENT

This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns; provided, however, that no Party may assign its rights or delegate its obligations under this Agreement (including by operation of law and provided that a change in control with respect to Hynix or Purchaser shall be deemed an assignment for purposes of this Agreement) without the express prior written consent of each other Party, except that (i) Purchaser may assign its rights hereunder as collateral security to any entity providing financing of indebtedness for borrowed money to Purchaser and/or any of its Subsidiaries and any such financial institutions may assign such rights in connection with a sale of Purchaser, (ii) Hynix and Purchaser each may, upon written notice to the other party (but without the obligation to obtain the consent of such other party), assign this Agreement or any of its rights and obligations under this Agreement to any person, entity or organization that acquires all or substantially all of its assets and liabilities or all or substantially all of the assets and liabilities of the portion of the Party's business to which the subject of this Agreement relates or of a division of such Party as a result of a change in control (provided that upon any such assignment or change in control the applicable license granted hereunder shall not extend to the business or products of the assignee or acquiring entity as conducted as of the date of such assignment or acquisition), if such person or entity agrees in writing to assume and be bound by all of the relevant obligations of such party under this Agreement; and (iii) Purchaser may, upon written notice to Hynix (but without the obligation to obtain the consent of Hynix), assign this Agreement or any of its rights and obligations under this Agreement to one or more direct or indirect Subsidiaries of Warrant Issuer, provided that at the time such Subsidiary became a direct or indirect Subsidiary of Warrant Issuer it was not actively operating a technology business (including a semiconductor business).

7.14. HEADINGS; DEFINITIONS

The section and article headings contained in this Agreement are inserted for convenience of reference only and will not affect the meaning or interpretation of this Agreement.

7.15. AMENDMENT

This Agreement may not be amended, modified, superseded, canceled, renewed or extended except by a written instrument signed by the Party to be charged therewith.

7.16. WAIVER; EFFECT OF WAIVER

No provision of this Agreement may be waived except by a written instrument signed by the Party waiving compliance. No waiver by any Party of any of the requirements hereof or of any of such Party's rights hereunder shall release the other Parties from full performance of their remaining obligations stated herein. No failure to exercise or delay in exercising on the part of any Party hereto any

right, power or privilege of such Party shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege by such Party.

7.17. SPECIFIC PERFORMANCE; INJUNCTIVE RELIEF

The Parties each acknowledge that, in view of the uniqueness of the subject matter hereof, the Parties would not have an adequate remedy at law for money damages in the event that this Agreement were not performed in accordance with its terms, and therefore agree that the Parties shall have the right to a claim for injunctive relief and be entitled to specific enforcement of the terms hereof in addition to any other remedy to which the Parties may be entitled at law or in equity.

7.18. SURVIVAL

The respective rights and obligations of the Parties under Sections 5, 6, 7, and other Sections which by their nature are intended to extend beyond termination, shall survive the termination of this Agreement.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed on their behalf as of the date first written above.

HYNIX SEMICONDUCTOR INC.

By _____
Name:
Title:

MAGNACHIP SEMICONDUCTOR, LTD.

By _____
Name:
Title:

Exhibit 10.3

Execution Copy

LAND LEASE AND EASEMENT AGREEMENT

between

Hynix Semiconductor Inc.

as Lessor

and

MagnaChip Semiconductor, Ltd.

as Lessee

with respect to

certain land located in the Cheong-Ju Complex

in Cheong-Ju, the Republic of Korea

October 6, 2004

[*****] = Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

TABLE OF CONTENTS

LAND LEASE AND EASEMENT AGREEMENT

This LAND LEASE AND EASEMENT AGREEMENT (this "Agreement"), dated as of October 6, 2004, is entered into by and between:

(1) Hynix Semiconductor Inc., a company organized and existing under the laws of the Republic of Korea ("Korea") with its registered office at San-136-1, Ami-Ri, Bubal-Eub, Ichon-Si, Kyoungki-Do, Korea ("Lessor"); and

(2) MagnaChip Semiconductor, Ltd., a company organized and existing under the laws of Korea with its registered office at 1 Hyanjeong-dong, Heungduk-gu, Cheongju City, Chung Cheong Bok-do, Korea ("Lessee") (each a "Party", and collectively, the "Parties").

RECITALS

WHEREAS, the Parties have entered into a certain business transfer agreement dated as of June 12, 2004 as amended (the "BTA") pursuant to which, among other things, Lessee has agreed to acquire the Acquired Assets (as defined in the BTA) from Lessor subject to the terms and conditions set forth in the BTA;

WHEREAS, the Parties desire to enter into an agreement as contemplated by the BTA whereby Lessor grants lease rights and easement rights to Lessee as to certain parts of parcels of land, which are necessary for Lessee's ownership of certain buildings that are now or hereafter used in the Business (as defined below) and for its operation of facilities necessary for its Business, in accordance with this Agreement; and

WHEREAS, the execution and delivery of this Agreement is a condition to the Closing under the BTA.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter set forth, and intending to be legally bound hereby, each of Lessor and Lessee agrees as follows:

Article 1. Definitions

1.1. Unless otherwise defined herein or in the BTA, all capitalized terms shall have the meanings set forth below:

"Access Areas" shall mean the access roads and areas located on the Lease Rights Site I, as more specifically shown on Exhibit B.

"Additional Warehouses" shall have the meaning ascribed to such term in Section 18.1.

"Affiliate" shall have the meaning ascribed to such term in the BTA.

“Amended Section 6.5 of the BTA” shall mean Section 6.5 of the BTA as amended by an First Amendment to Business Transfer Agreement made and entered into on October 6, 2004 by and between Lessor and Lessee.

“Applicable Laws” shall mean all laws, constitutions, statutes, codes, ordinances, decrees, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, consent orders and decrees, policies, guidelines or any interpretations of any of the foregoing, including general principles of civil law and equity, issued by any Governmental Entity having or exercising jurisdiction over or otherwise affecting any Party, the Business or the Land.

“BTA” shall have the meaning ascribed to such term in the Recitals.

“Buildings” shall mean the “R” Building, “C1” Building and “C2” Building, as well as the to be built Gas Warehouse Building and Waste Water Facility Building and such other buildings, if any, and improvements affixed to such buildings now or hereafter owned by Lessee located in the Cheong-Ju Complex, each of which Building is owned by Lessee, as the same may be altered or replaced.

“Business” shall have the meaning ascribed to such term in the BTA including all Permitted Uses.

“Cheong-Ju Complex” shall mean Lessor’s manufacturing, testing, packaging and research and development facilities and appurtenant areas located in Cheong-Ju, Korea, as more specifically identified in Exhibit A attached hereto.

“Closing Date” shall have the meaning ascribed to such term in the BTA.

“Confidential Information” shall mean any and all information including technical data, trade secrets or know-how, disclosed by either Party to the other Party in connection with this Agreement, which is marked as “Proprietary” or “Confidential” or is declared by the other Party, whether in writing or orally, to be confidential, or which by its nature would reasonably be considered confidential.

“Consents” shall mean any consents, approvals, waivers or authorizations to be obtained from, or notices to be given to, any persons or entities, and includes Governmental Authorizations.

“Damages” shall mean any and all losses, settlements, expenses, liabilities, obligations, claims, damages (including any governmental penalty or costs of investigation, clean-up and remediation), deficiencies, royalties, interest, costs and expenses (including reasonable attorneys’ fees and all other expenses reasonably incurred in investigating, preparing or defending any litigation or proceeding, commenced or threatened incident to the successful enforcement of this Agreement), the extent of which are recoverable under Korean law. Damages also shall include, if applicable, any and all increases in insurance premiums that are reasonably demonstrably attributable to the breach by Lessee or Lessor, as the case may be, of its representations, warranties, agreements and covenants expressly

contained in this Agreement, or negligence, gross negligence, intentional breach or willful misconduct of Lessee or Lessor, as the case may be, for the two following annual policy periods.

“Due Date” shall have the meaning ascribed to such term in Section 4.3.

“Easement Right” shall mean the right to use all necessary and appropriate roads for ingress to, egress from and access to and from all locations at the Cheong Ju Complex and the right to use certain land to own, use or perform maintenance, repair and replacement of utility, pipeline, conduit and wiring systems at the Cheong Ju Complex serving the locations leased by Lessee or owned by Lessor, as the case may be, each of which is on an equal and shared basis with the owner or lessee, as the case may be, of relevant land.

“Easement Site” shall mean Easement Site I and Easement Site II.

“Easement Site I” shall mean the main access roads from public roads to the Lease Right Site I, as more specifically shown on Exhibit B.

“Easement Site II” shall mean the access roads, areas and the parking lots at the Cheong Ju Complex, as more specifically shown on Exhibit B.

“Event of Force Majeure” shall have the meaning ascribed to such term in Section 21.1.

“Excluded Damages” shall mean any punitive damages.

“Execution Date” shall mean the date of this Agreement.

“Expansion Area” shall have the meaning ascribed to such term in Section 17.1.

“Governmental Authorization” shall mean any approval, consent, license, permit, waiver or other authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Entity or otherwise pursuant to any Applicable Law, and any registration with, or report or notice to, any Governmental entity pursuant to any Applicable Law, including those listed on Exhibit C.

“Governmental Entity” shall mean a court, arbitral tribunal, administrative agency or commission or other governmental or other regulatory authority or agency.

“Grace Period” shall have the meaning ascribed to such term in Section 13.1.

“Hynix Building” shall mean any building in the Cheong-Ju Complex other than any of the Buildings.

“Hynix Easement Right” shall mean the Easement Right over the Access Areas on an equally shared basis with Lessee.

“Hynix Land” shall mean the portions of the Cheong-Ju Complex land, excluding the Land.

“Indemnified Person” of a Party shall mean the Party and its Subsidiary and any shareholder, director, officer, employee or agent of the Party or such Subsidiary.

“Invoice” shall have the meaning ascribed to such term in Section 4.2.

“Land” shall mean (a) the Lease Rights Site I, (b) Lease Rights Site II, (c) Easement Site I and (d) Easement Site II located in the Cheong-Ju Complex, as more specifically identified in Exhibit B, all of which are subject to the lease or easement rights under this Agreement.

“Lease Right” shall have the meaning ascribed to such term in Section 2.5.

“Lease Rights Site” shall mean the Lease Rights Site I and the Lease Rights Site II.

“Lease Rights Site I” shall mean the Site and the Access Areas.

“Lease Rights Site II” shall mean certain lots on which the Gas Warehouse Building and the Waste Water Facility Building will be built by Lessee, as more specifically identified in Exhibit B attached hereto.

“Lease Term” shall have the meaning ascribed to such term in Section 3.1.

“Lessee Easement Rights Consents” shall have the meaning ascribed to such term in Section 5.2(e).

“Lessor Easement Rights Consents” shall have the meaning ascribed to such term in Section 5.1(e).

“Lessor Lease Rights Consents” shall have the meaning ascribed to such term in Section 5.1(e).

“Lien” shall mean any lien, charge, claim, agreement to sell, pledge, judgment, security interest, conditional sale agreement or other title retention agreement, lease, mortgage, deed of trust, security agreement, right of first refusal or offer (or other similar right), option, restriction, tenancy, license, covenant, encroachment (whether upon any real property or by any improvement situated on any real property onto any adjoining real property or onto any easement area), right of way, easement, title defect or other encumbrance or title matter or interest in real estate, existing as of the Closing Date.

“Other Costs” shall have the meaning ascribed to such term in Section 4.5.

“Partition Date” shall mean the date on which the Lease Rights Site I is partitioned as a separate parcel and the Lessor acquires the sole legal and beneficial ownership thereto from the Lessee.

"Permitted Uses" shall mean the Business or any other semiconductor, information technology or other technology related business.

"Proceeding" shall mean any action, arbitration, audit, hearing, investigation, litigation or suit (whether civil, criminal, administrative, or investigative) commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Entity.

"Rent" shall have the meaning ascribed to such term in Section 4.1.

"Rules and Regulations" shall have the meaning ascribed to such term in Section 2.2.

"Site" shall mean certain lots which are occupied by Building "R", Building "C1", Building "C2", as more specifically identified in Exhibit B, all of which are subject to the lease under this Agreement.

"Subsidiary" shall have the meaning ascribed to such term in the BTA.

"Successor" shall have the meaning ascribed to such term in Section 11.2.

"Turnover Condition" shall have meaning set forth in Section 17.1(d) of this Lease.

"VAT" shall mean the value added tax required to be paid to the relevant Governmental Entity in respect of the lease or grant of easement rights of the Land to Lessee.

"Warrant Issuer" shall have the meaning ascribed to such term in the BTA.

1.2. Rules of Interpretation.

(a) When a reference is made in this Agreement to a section or article, such reference shall be to a section or article of this Agreement unless otherwise clearly indicated to the contrary.

(b) Whenever the words "include", "includes" or "including" are used in this Agreement they shall be deemed to be followed by the words "without limitation."

(c) The words "hereof", "hereto", "herein" and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, and article, section, paragraph and exhibit references are to the articles, sections, paragraphs and exhibits of this Agreement unless otherwise specified.

(d) The meaning assigned to each term defined herein shall be equally applicable to both the singular and the plural forms of such term, and words denoting any gender shall include all genders. Where a word or phrase is defined herein, each of its other grammatical forms shall have a corresponding meaning.

(e) A reference to any party to this Agreement or any other agreement or document shall include such party's successors and permitted assigns.

(f) A reference to any legislation or to any provision of any legislation shall include any amendment to, and any modification or re-enactment thereof, any legislative provision substituted therefor and all regulations and statutory instruments issued thereunder or pursuant thereto.

(g) The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provisions of this Agreement.

(h) Headings are for convenience only and do not affect the interpretation of the provisions of this Agreement.

(i) Any Exhibits attached hereto are incorporated herein by reference and shall be considered as part of this Agreement.

Article 2. Grant of Lease and Easement

2.1. Subject to Article 3, in consideration of the Rent hereby agreed to be paid to Lessor by Lessee and the agreements and covenants herein made by Lessee and subject to other terms and conditions herein, Lessor hereby (a) leases to Lessee the Lease Rights Site and the one-half of the Easement Site (until the date of registration of the Easement Right on the Easement Site) and (b) grants Lessee the Easement Right to use the Easement Site from the date of the registration of the Easement Right; provided that the Easement Right and the Lease Right on the one-half of the Easement Site granted to Lessee shall be exercisable by Lessee in a manner and to the extent that it is in common with equivalent rights exercisable by Lessor, as owner.

2.2. In consideration of the lease rights and easement rights hereby granted to Lessee by Lessor and the agreements and covenants herein made by Lessor and subject to other terms and conditions herein, for the Lease Term Lessee shall grant to Lessor the Hynix Easement Right over the Access Areas for free; provided that the Hynix Easement Right granted to Lessor shall be exercised by Lessor in a manner and to the extent that allows Lessee to exercise equal right to use the Access Areas based upon Lessee's Lease Rights over the Access Areas.

2.3. In consideration of the Rent hereby agreed to be paid to Lessor by Lessee and the agreements and covenants herein made by Lessee and subject to other terms and conditions herein, Lessor hereby grants to Lessee a right (i) to access to the Cheong-Ju Complex for the purpose of using the Land in accordance with this Agreement, and to pass and repass to and from the Land or any part thereof over and along certain roads, accessways, paths, highways and other thoroughfares within the Cheong-Ju Complex, provided that Lessee shall fully comply in all material respects with all Applicable Laws and the rules and regulations as currently adopted and enforced in the ordinary operation

of the Cheong-Ju Complex and such additional rules and regulations adopted by Lessor and enforced uniformly as to all occupants of the Cheong-Ju Complex which do not materially change the economic structure or effect of the Business (together "Rules and Regulations") and (ii) to use, operate, maintain, repair and replace all of Lessee's utility, pipeline, conduit and wiring systems on the Cheong Ju Complex or any part thereof that serve the Site. In case where it is necessary, (i) Lessee may install utility, pipeline, conduit or wiring systems for the purpose of using the Buildings on Easement Site and Access Areas with Lessor's prior written consent which may not be unreasonably withheld and (ii) Lessor may install such facilities for the purpose of using Hynix Buildings on Access Areas with Lessee's prior written consent which may not be unreasonably withheld.

2.4 In consideration of the Lease Right and the Easement Right hereby granted to Lessee by Lessor and the agreements and covenants herein made by Lessor and subject to other terms and conditions herein, Lessee hereby grants to Lessor a right (i) to access to the Cheong-Ju Complex for the purpose of using the Hynix Land as the owner thereof, and to pass and repass to and from the Land or other part of the Cheong Ju Complex on which Lessee has a lease right or any part thereof over and along certain roads, accessways, paths, highways and other thoroughfares within the Cheong-Ju Complex, provided that Lessor shall fully comply in all material respects with all Applicable Laws and reasonable rules and regulations adopted by Lessee and enforced uniformly as to all occupants of the Cheong-Ju Complex which do not materially change the economic structure of, or have an effect on, Lessor's business and (ii) to use, operate, maintain, repair and replace all of Lessor's utility, pipeline, conduit and wiring systems on the Cheong Ju Complex or any part thereof that serve the Hynix Land.

2.5 Subject to Article 7, Lessor hereby grants to Lessee a right to register the lease under this Agreement ("Lease Right", "*deunggi imchakwon*") over the Lease Rights Site and the one-half of the Easement Site and the Easement Right ("*jiyokkown*") over the Easement Site with the relevant real property registry offices. The Lease Right and the Easement Right shall be effective during the Lease Term, as long as the Buildings remain on the Lease Rights Site and the Lease Rights Site is used for the Permitted Uses in accordance with the terms of this Agreement.

2.6 Subject to Article 7, Lessee hereby grants to Lessor a right to register the Hynix Easement Right over the Access Areas with the relevant real property registry offices.

2.7 Lessee acknowledges and agrees that Lessee has the right to occupy and use the Land only for the Permitted Uses, and upon the terms and conditions set forth in this Agreement.

Article 3. Term

3.1. This Agreement shall be effective from the Closing Date.

3.2. Subject to Section 3.4, the lease term for the Lease Right ("Lease Term") shall be indefinite (i) unless otherwise agreed between the Parties, and (ii) as long as the Buildings remain on the Lease Rights Site and are owned by Lessee and Lessee uses the Lease Rights Site for the purpose of the Permitted Uses.

3.3 The Lease Term for the Lease Right on the one-half of the Easement Site shall continue until the Easement Right is registered on the Easement Site.

3.4 Term for the Easement Right on the Easement Site shall continue from the Partition Date to the expiration date of the Lease Term.

3.5 Hynix Easement Right on Access Areas shall be effective from the Partition Date to the expiration date of the Lease Term.

Article 4. Rent

4.1. The monthly rent for the Land, exclusive of VAT, (the "Rent") shall be ***[*****]*** per year for ten (10) years, which is ***[*****]*** payable monthly in accordance with Article 4. Commencing on the tenth (10th) anniversary of the Closing Date, or the first day of the immediately succeeding calendar month if the Closing Date is not the first day of a calendar month, and every second (2nd) anniversary of such date (each, a "Calculation Date"), Rent shall be recalculated for the next succeeding two years to increase or decrease by the same percentage as the change in the consumer price index published by the Korean National Statistical Office of the Ministry of Finance and Economy (each, an "Index") or any of its equivalent if an Index is not available, between the Index published most recently prior to the Calculation Date compared to the Index published most recently prior to two years before such Calculation Date. In any event prior to the commencement date on which such recalculated Rent shall be applicable, the Parties, upon the request of either Party, agree to submit a joint application to modify the amount of the Rent registered as of such time into such recalculated amount of the Rent.

4.2. Lessor shall provide an invoice (the "Invoice") to Lessee by the 10th day of each calendar month which shall include the amount of Rent, Other Costs and the corresponding VAT amount payable by Lessee for such month.

4.3. Lessee shall pay in aggregate the Rent, Other Costs and the corresponding VAT amount stated on each Invoice to the Lessor's designated account, or as otherwise designated by Lessor, by means of wire transfer in immediately available funds by 25th day of each calendar month (the "Due Date").

4.4. For any month of the Lease Term which is less than a full calendar month, the amount of Rent (and the corresponding VAT amount) payable by Lessee shall be equal to a pro rata portion of the Rent, based on a ratio of the number of days during such month that the Lease Term is in effect to the total number of days in such month.

4.5. If (a) the Rent is not paid on or before the Due Date or (b) any other amounts payable herein including payments due by either Party with respect to Damages (collectively, the "Other Costs") are not paid when due, after the passage of any applicable grace and/or cure period, Lessee or Lessor, as applicable, shall be liable for and pay interest on the outstanding amounts of the Rent and/or Other Costs at a rate of eight percent (8%) per annum calculated from and including the sixth day after the Due Date until the date Rent and/or Other Costs are received in full by the Party to whom they are due.

[*****] = Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

4.6. Lessee shall be responsible for payment of any VAT levied on the Rent under this Agreement.

4.7 Notwithstanding anything herein to the contrary, in the event of a bankruptcy filing with respect to Lessee, Lessee shall deposit with Lessee an amount equal to the fees paid by Lessee during the immediately preceding full calendar month under the terms of this Agreement, against which will be credited fees payable by Lessee over the thirty day period following such deposit. Lessee shall renew such deposit each thirty days in each case by reference to the fees paid by Lessee during the full calendar month immediately preceding any such renewal until such bankruptcy protection filing has been accepted by the bankruptcy court. For the avoidance of doubt, Lessee shall not be relieved of responsibility for, and shall pay when due, any fees for services hereunder during any such thirty day period to the extent in excess of the then actual deposit.

Article 5. Representations, Warranties and Covenants

5.1. Lessor hereby covenants, represents and warrants to Lessee that all of the representations and warranties contained in this Section 5.1 are true and correct in all material respects as of the Closing Date, and the Partition Date, as the case may be.

(a) Organization. Lessor is a corporation duly organized and validly existing under the laws of Korea and has full power and authority to own and lease the Land.

(b) Authorization. Lessor has full corporate power and authority to execute and deliver this Agreement. The execution, delivery and performance by Lessor of this Agreement have been duly authorized by all corporate actions on the part of Lessor that are necessary to authorize the execution, delivery and performance by Lessor of this Agreement.

(c) Binding Agreement. This Agreement has been duly executed and delivered by Lessor and, assuming due and valid authorization, execution and delivery hereof by Lessee, is a valid and binding obligation of Lessor, enforceable against Lessor in accordance with its terms except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws of general application affecting enforcement of creditors' rights generally and (ii) the availability of the remedy of injunctive relief may be subject to the discretion of the court before which any proceeding therefor may be brought or the general principle of good faith and fairness provided for in the Korean Civil Code.

(d) Title and Consents. Except as disclosed in Schedule 5.1(d), Lessor is the only legal and beneficial owner of the Land and has requisite power to grant the Lease Rights or the Easement Right hereunder to Lessee and has the requisite power to grant the registration of the Lease Right and the Easement Right on the relevant portions of the Land to Lessee.

(e) Use of Land. Except as disclosed in Schedule 5.1(e), Lessor has obtained all Consent required in connection with the ownership or use of the Land and the granting to Lessee of the rights under this Agreement, and shall obtain such additional Consents necessary or appropriate for the grant of the Lease Rights or the Easement Right, as applicable, and the registration thereof in accordance with Section 7 ("Lessor Lease Rights Consents" or "Lessor Easement Rights Consent", as the case may be). Lessor has provided Lessee with copies of all such Consents and shall provide Lessee with the Lessor Lease Rights Consents related to the registration of Lease Rights on or before the Closing Date and the Lessor Easement Rights Consents related to the registration of the Easement Right on or before the Partition Date, including those listed on Exhibit C. The present condition and use of the Land by Lessor complies with all Applicable Laws in all material respects.

(f) Veolia Lease Right. Lessor shall de-register the registered lease rights in favor of Veolia Water Korea Co., Ltd. (formerly known as Vivendi Water Industrial Development Co., Ltd.) ("Veolia") on the land described in Schedule 5.1(d) ("Veolia Leased Land") and consent to the registration of Lease Right I for the benefit of Lessee on the Veolia Leased Land as soon as possible after the Closing but in no event later than 4 weeks thereafter.

(g) Brokerage. Lessor and its Subsidiaries (as defined in the BTA) have not made any agreement or taken any other action which might cause any Person to become entitled to a broker's or finder's fee or commission as a result of this Agreement.

(h) NO OTHER REPRESENTATIONS. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS AGREEMENT OR THE BTA, NEITHER LESSOR NOR ANY OTHER PERSON OR ENTITY ACTING ON BEHALF OF LESSOR, MAKES ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED. TO THE EXTENT ANY REPRESENTATIONS OR WARRANTIES HEREIN ARE INCONSISTENT WITH ANY REPRESENTATIONS OR WARRANTIES IN THE BTA, THE APPLICABLE REPRESENTATIONS OR WARRANTIES IN THE BTA SHALL CONTROL.

5.2. Lessee hereby covenants, represents and warrants to Lessor that all of the representations and warranties contained in this Section 5.2 are true and correct in all material respects as of the Closing Date, and the Partition Date, as the case may be.

(a) Organization. Lessee is a corporation duly organized and validly existing under the laws of Korea and has full power and authority to carry on its business as heretofore conducted.

(b) Authorization. Lessee has full corporate power and authority to execute and deliver this Agreement. The execution, delivery and performance by Lessee of this Agreement have been duly authorized by all corporate actions on the part of Lessee that are necessary to authorize the execution, delivery and performance by Lessee of this Agreement.

(c) Binding Agreement. This Agreement has been duly executed and delivered by Lessee and, assuming due and valid authorization, execution and delivery hereof by Lessor, is a valid and binding obligation of Lessee, enforceable against Lessee in accordance with its terms except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws of general application affecting enforcement of creditors' rights generally and (ii) the availability of the remedy of injunctive relief may be subject to the discretion of the court before which any proceeding therefor may be brought or the general principle of good faith and fairness provided for in the Korean Civil Code.

(d) Title and Consents. As of the Partition Date, Lessee has requisite power to grant the easement rights hereunder to Lessor and has the requisite power to grant the registration of the Hynix Easement Right on the relevant portions of the Land to Lessor.

(e) Use of Land. Lessee has obtained all Consents required in connection with the use of the Land and the granting to Lessor of the rights under this Agreement, and shall obtain such additional Consents necessary or appropriate for the grant of the Hynix Easement Right and the registration thereof in accordance with Section 7 ("Lessee Easement Rights Consents"). As of Partition Date, Lessee has provided Lessor with copies of all such Consents and shall provide Lessor with the Lessee Easement Rights Consents on or before the Partition Date, including those listed on Exhibit C. The condition and use of the Access Areas as of the Partition Date by Lessee complies with all Applicable Laws in all material respects.

(f) Construction of Warehouses. Lessee shall construct a Gas Warehouse Building on the Lease Right Site II within two (2) years from the Closing Date and a Waste Water Facility Building on the Lease Rights Site II within one(1) year from the Closing Date.

(g) Brokerage. Lessee has not made any agreement or taken any other action which might cause any Person to become entitled to a broker's or finder's fee or commission as a result of this Agreement.

(h) NO OTHER REPRESENTATIONS. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS AGREEMENT OR THE BTA, NEITHER LESSEE NOR ANY OTHER PERSON OR ENTITY ACTING ON BEHALF OF LESSEE, MAKES ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED. TO THE EXTENT ANY REPRESENTATIONS OR WARRANTIES HEREIN ARE

INCONSISTENT WITH ANY REPRESENTATIONS OR WARRANTIES IN THE BTA, THE APPLICABLE REPRESENTATIONS OR WARRANTIES IN THE BTA SHALL CONTROL.

5.3. Each Party covenants and agrees to endeavor to cooperate with the other Party so as to minimize any interference with the other Party's operation of its business.

5.4. With respect to Lessee's use of the Land, from and after the Closing Date, Lessee shall comply in all material respects with all Applicable Laws applicable to the ordinary operation of Lessee's Business, including the environmental laws, and with the terms of all Government Authorizations relating to Lessee's operation of its Business at the Land or in the Buildings arising after the Closing Date.

5.5. Lessee covenants and agrees to reimburse Lessor, in full and promptly upon demand, if Lessor sustains any material Damages or is reasonably required to expend any money as a result of a default by Lessee hereunder; provided, however, Lessee shall not reimburse Lessor for any damages resulting from (a) reasonable wear and tear to the Land, (b) Lessor's maintenance of the Land as provided for herein, or (c) to the extent such Damages arises from Lessor's gross negligence or intentional misconduct.

5.6. Based on the Lease Right over the Site, Lessee shall grant to Veolia a registered sublease ("*deunggi cheonchawkwon*") on certain portions of the Site, as more specifically depicted in Exhibit D attached hereto, under the terms and conditions substantially the same as those of the Land Use Rights Agreement dated March 27, 2001 entered into by and between Lessor and Veolia.

5.7. Except as disclosed in Schedule 5.1(d), Lessor will deliver actual possession of the Site free and clear of occupancy.

5.8. By the Closing Date, Lessor shall have obtained all necessary and relevant Lessor Lease Rights Consents related to the registration of the Lease Rights. By the Partition Date, Lessee shall have obtained all necessary and relevant Lessee Easement Rights Consents. Lessor shall not permit or suffer future Liens on the Lease Rights Site I.

5.9. Lessor covenants and agrees to reimburse Lessee, in full and promptly upon demand, if Lessee sustains any material Damages or is reasonably required to expend any money as a result of a default by Lessor hereunder; provided, however, Lessor shall not reimburse Lessee for any damages resulting from (a) reasonable wear and tear to the Land, or (b) Lessee's maintenance of the Land as provided for herein, or (c) to the extent such Damage arises from Lessee's gross negligence or intentional misconduct.

Article 6. Maintenance and Other Expenses

All costs, expenses and obligations relating to the Site which arise or are attributable to Lessee's occupancy or use of the Site during the Lease Term, shall be paid by Lessee. Lessee hereby assumes all other responsibilities normally identified with the ownership of the Site, such as responsibility for the condition of the premises, such as operation, repair, replacement, maintenance and management of the Site, including repairs to the paved areas and driveways on

the Site. During the Lease Term, if Lessee fails to maintain the Site in good repair and condition for Lessor to obtain the reasonable benefits of the Site, Lessor may so notify Lessee and perform such repair and shall be reimbursed upon demand by Lessee for such costs based on invoices for work actually performed. Without limiting the foregoing, except as otherwise provided in this Agreement, or the other contracts executed by the Parties in connection with the BTA, the Parties agree that Lessor shall not be required or obligated to furnish any services or facilities to the Lease Rights Site. All costs, expenses and obligations relating to the Easement Site and taxes that Lessor should pay, which arise or are attributable to the period of the Lease Term shall be paid by Lessor. Lessor hereby assumes all other responsibilities normally identified with the ownership of the Easement Site, such as a responsibility for the condition of the Easement Site, such as operation, repair, replacement, maintenance and management of the Easement Site, including repairs to the paved areas and driveways on the Easement Site. If Lessor fails to maintain the Easement Site in good repair and condition for Lessee to obtain the reasonable benefit of the Easement Right, Lessee may so notify Lessor and perform such repair and shall be reimbursed upon demand by Lessor for such costs based on invoices for work actually performed, with a right of setoff against next Rent due to the extent not reimbursed.

Article 7. Registration of the Lease Right and Easement Right.

7.1. On the Closing Date, Lessor shall consent to the registration of (a) the Lease Right over the Lease Rights Site for the benefit of Lessee, in accordance with Section 2.3 and (b) the lease rights over the one-half of the Easement Site for the benefit of Lessee, subject to Lessor's rights to use the Easement Site as the owner thereof, and shall provide to Lessee all the necessary and appropriate documents normally required of a lessor for the registration of such Lease Right on the Closing Date, including Lessor Lease Rights Consents. Lessee shall be entitled to register, on or after the Closing Date, the rights granted under this Section 7.1 with the pertinent real property registry offices. Such registration shall have, (i) with respect to the Lease Rights Site I and the Easement Site I, first priority during the Lease Term over any Lien on the Lease Rights Site I and the Easement Site I, subject to the subsequent de-registration of such lease rights over the one-half of the Easement Site on the Partition Date and (ii) with respect to the Lease Rights Site II, subordinate to the Liens held by Lessor's creditors. The registration shall include such material matters provided in this Agreement as Lessor and Lessee may agree to register and as permitted to be registered in the real property registry under the Applicable Laws, provided that the terms of such Lease Right shall be the same as the terms and conditions of this Agreement. The expenses and costs of such registration of the Lease Right shall be borne wholly by Lessee.

7.2 On the Partition Date, Lessor shall consent to the registration of the Easement Right over the Easement Site for the benefit of Lessee, in accordance with Section 2.3 and shall provide to Lessee all necessary and appropriate documents normally required of a lessor for the registration of such Easement Right on the Partition Date. Lessee shall be entitled to register, on or after the Partition Date, the Easement Right over the Easement Site granted under this Section 7.2 with the pertinent real property registry offices. Such registration shall have, (a) with respect to the Easement Site I, first priority during the Lease Term over any Lien on the Easement Site I and (b) with respect to Easement Site II, priority subordinated to the Liens held by Lessor's creditors. The registration shall

include such material matters provided in this Agreement as Lessor and Lessee may agree to register and as permitted to be registered in the real property registry under the Applicable Laws, including the matter of the exercise by Lessee of the Easement Right in a manner and to the extent that allows Lessor to exercise a equal rights to use the Easement Site based on its ownership rights to the Easement Site set forth in Section 2.1, provided that the terms of such Easement Right shall be the same as the terms and conditions of this Agreement. The expenses and cost of deregistration and re-registration of rights other than Lease Right over Lease Rights Site and Easement Right over Easement Site shall be borne by the Party incurring such costs and expenses. The expenses and costs of such registration of such Easement Right shall be borne solely by Lessee.

7.3 On the Partition Date, Lessee shall consent to the registration of the Hynix Easement Right over the Access Areas in accordance with Section 2.1 for the benefit of Lessor and shall provide to Lessor all necessary and appropriate documents normally required of a lessor for the registration of such easement rights on the Partition Date. Lessor shall be entitled to register, on or after the Partition Date, such Easement Right over the Access Areas granted under this Section 7.3 with the pertinent real property registry offices. Such registration shall have, with respect to the Access Areas, first priority during the Lease Term over any Lien on the Access Areas. The registration shall include such material matters provided in this Agreement as Lessor and Lessee may agree to register and as permitted to be registered in the real property registry under the Applicable Laws, including the matter of the exercise by Lessee of the Easement Right in a manner and to the extent that allows Lessee to exercise a equal rights to use the Access Areas based on its Lease Rights over the Access Areas set forth in Section 2.2, provided that the terms of such easement rights shall be the same as the terms and conditions of this Agreement. The expenses and costs of such registration of Hynix Easement Right shall be borne solely by Lessor.

Article 8. [Intentionally Deleted]

Article 9. Use and Maintenance

9.1. Subject to Section 2.7, Lessee shall not occupy or use the Lease Rights Site and the Easement Site for any purpose whatsoever, other than in connection with the operation of the Business, including all Permitted Uses and in compliance with all Applicable Laws and Rules and Regulations.

9.2. Lessee shall, at its sole cost and expense, maintain, or cause to be maintained, during the Lease Term, the Site in equivalent condition to the condition as of the Closing Date, wear and tear, insured casualty and condemnation excepted.

Article 10. Termination

10.1. Termination. This Agreement may be terminated at any time during the Lease Term of this Agreement upon the occurrence of any of the following events:

(a) by a Party serving a written notice of termination to the other Party in the event of a material breach or default by such other Party of its obligations hereunder, which default shall not have been cured within sixty (60) days after written notice is provided by the non-breaching Party to the breaching Party; or

(b) by Lessee with ninety (90) days prior written notice to Lessor for any reason whatsoever.

10.2. Upon termination of this Agreement, each Party shall discontinue the use of all Confidential Information provided by the other Party in connection with this Agreement, and shall promptly return to the other Party any and all Confidential Information, including documents originally conveyed to it by the other Party and any copies thereof made thereafter.

10.3. Termination of this Agreement shall be without prejudice to the accrued rights and liabilities of the Parties prior to the termination of this Agreement.

10.4. The respective rights and obligations of the Parties under any Sections which by their nature are intended to extend beyond termination, shall survive the termination or expiry of this Agreement.

10.5. In the event of the termination of this Agreement pursuant to Section 10.1 hereof, a written notice thereof shall forthwith be given to the other Party specifying the provision hereof pursuant to which such termination is made, and Lessee or Lessor (as the case may be) shall only be liable thereafter for (i) Damages suffered as a result of its fraud or willful breach of this Agreement that occurred prior to the termination of this Agreement, or (ii) the obligations and liabilities of the Parties pursuant to this Agreement that accrued prior to the termination of this Agreement.

Article 11. Sublease and Assignment

11.1. This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns; provided, however, that no Party hereto will assign its rights or delegate its obligations under this Agreement without the express prior written consent of the other Party hereto, except that (i) Lessee may assign its rights hereunder (other than the lease right over the one-half of the Easement Site allowed from the Closing Date until the Partition Date) as collateral security to any bona fide financial institution engaged in financing in the ordinary course providing financing to the Warrant Issuer or its Subsidiaries and any of the foregoing financial institutions may assign such rights in connection with the sale of Lessee's business in the form then being conducted by Lessee substantially as an entirety; (ii) Lessor and Lessee each may, upon written notice to the other Party (but without the obligation to obtain the consent of such other Party), assign this Agreement or any of its rights and obligations under this Agreement to

any person, entity or organization that succeeds (by purchase, merger, operation of law or otherwise) to all or substantially all of the capital stock, assets or business of such party, all or substantially all of its assets and liabilities or to all or substantially all of the assets and liabilities of the portion of the Party's business to which the subject of this Agreement relates or of a division of Lessee, if such person or entity agrees in writing to assume and be bound by all of the relevant obligations of such Party under this Agreement; and (iii) Lessee may, upon written notice to Lessor (but without the obligation to obtain the consent of Lessor), assign this Agreement or any of its rights and obligations under this Agreement to one or more direct or indirect Subsidiaries of the Warrant Issuer if such Subsidiaries agree in writing to assume and be bound by all of the relevant obligations of Lessee under this Agreement.

11.2. Intentionally Deleted.

11.3. Notwithstanding anything to the contrary, Lessee shall not sublease the Lease Rights Site, in whole or in part, to a third party, except Veolia in accordance with Section 5.6 and the Hynix Easement Right.

Article 12. Quiet Enjoyment; Indemnification.

12.1. Without prejudice to Lessor's rights under this Agreement or under the Applicable Laws, so long as Lessee pays the Rent and materially observes all other terms, conditions and covenants hereof, Lessor shall ensure that Lessee has the right to quietly enjoy the Land without hindrance, molestation or interruption during the Lease Term, subject to the terms and conditions of this Agreement.

12.2. Lessor shall indemnify Lessee and its Indemnified Persons (the "Lessee Indemnified Parties"), and hold the Lessee Indemnified Parties harmless from and against, any and all Damages arising out of, resulting from or relating to claims by third parties arising from the negligent acts of Lessor, except to the extent such Damage is caused by the negligence or willful misconduct of any such Lessee Indemnified Party.

12.3. Lessee shall indemnify Lessor and its Indemnified Persons (the "Lessor Indemnified Parties") and hold the Lessor Indemnified Parties harmless from and against, any and all Damages arising out of, resulting from or relating to claims by third parties arising from the negligent acts of Lessee, except to the extent such Damage is caused by the negligence or willful misconduct of any such Lessor Indemnified Party.

12.4. In no event shall a Party be liable for Excluded Damages.

Article 13. Surrender.

13.1. Upon the expiration or termination of this Agreement, Lessor and Lessee shall consult in good faith to determine a reasonable grace period (which shall not be more than 6 months) (the "Grace Period") for Lessee to peaceably and quietly vacate and surrender the Land to Lessor. For the avoidance of doubt, Lessee shall be obligated to pay the Rent for the period until the date of surrender of the Land to Lessor.

13.2. During the Grace Period, Lessee shall, among other things, restore the Land to its condition and shape equivalent to that of the Closing Date, wear and tear, insured casualty and condemnation excepted, and as otherwise reasonably acceptable to Lessor by removing at its own expense any additional fixtures, partitions and structural alterations made by Lessee not consented to by Lessor. In the event Lessee fails to vacate, surrender and restore the Land to its condition equivalent to that of the Closing Date, including the presence of any buildings and improvements, reasonable wear and tear and insured casualty excepted, by the end of the Grace Period, Lessor may move, remove or dispose of any fixtures, partitions, structural alterations or other property or belongings remaining on the Land, and all reasonable expenses incurred therefrom shall be borne by Lessee.

Article 14. Disputes and Governing Law.

14.1. This Agreement shall be governed by and construed in accordance with the laws of Korea without reference to the choice of law principles thereof.

14.2. The Parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to an injunction to prevent any breach of this Agreement and to enforce specifically the terms and provisions of this Agreement by bringing a relevant action in the Seoul Central District Court in Seoul, Korea, in addition to any other remedy to which any Party may be entitled at law or in equity. In addition, the Parties agree that any disputes, claims or controversies between the Parties arising out of or relating to this Agreement, whether in contract, tort, equity or otherwise and whether relating to the meaning, interpretation, effect, validity, performance or enforcement of this Agreement shall be submitted to the exclusive jurisdiction of the Seoul Central District Court in Seoul, Korea. Each of the Parties irrevocably waives, to the fullest extent permitted by law, any objection which it may now, or hereafter, have with respect to the jurisdiction of, or the venue in, the Seoul Central District Court.

Article 15. Change of Applicable Laws of Korea

Lessor shall process, and Lessee shall pay for, every zoning requirement or the requirements imposed by the Applicable Laws, which arise from change of conditions caused by Lessee subsequent to the Closing Date from the operation of the Business, as they come into effect during the Lease Term.

Article 16. Alterations

Each of the Buildings is now or hereafter shall be owned by Lessee, Lessee has the unfettered right to alter, replace, construct and/or reconstruct the Buildings, and Lessor acknowledges such alteration, replacement, construction or reconstruction shall not be deemed to be a termination of the Business or this Agreement. Lessor shall, upon request by Lessee, either (a) give evidence of this prior consent to such demolition and construction during the Lease Term as long as the applicable Building is to be used for a Permitted Use, and/or (b) issue the requisite consent letter for submission to competent authorities.

Article 17. Right of First Refusal

17.1. Lessor is the current occupant of portions of the Hynix Land ("Expansion Area"), Lessee shall have both a Right of First Refusal on the Expansion Area as set forth below:

(a) Right of First Refusal. If Lessor shall receive an offer to lease any portion of the Expansion Area, from time to time, which offer Lessor shall desire to accept, Lessor shall transmit a memorandum of said offer to Lessee. The memorandum shall set forth in detail the terms of the offer, including a description of the area, the rent (including any abatement and escalations), and any other material terms of the offer, to the extent available. Within fifteen (15) days of receiving Lessor's memorandum, Lessee shall, by written notice to Lessor exercise the right (each, a "Right of First Refusal"), (i) to accept such Expansion Area upon the terms and conditions stated in the offer or (ii) to accept such Expansion Area on the terms and conditions set forth in Section 17.1(c) and 17.1(d). Lessee's failure to make the election shall be deemed a rejection of the Expansion Area. Upon Lessee's acceptance of the Expansion Area, the parties shall execute an amendment incorporating the Expansion Area into the Site subject to all of the terms, covenants, and conditions of the Lease, except as modified by the terms of the offer (if Lessee has elected option (i) above). Notwithstanding anything to the contrary in the offer, the terms of the Lease for the Expansion Area shall be as provided in Section 17.1(c) immediately below. Notwithstanding that Lessee should fail or refuse to exercise its Right of First Refusal in the manner herein provided, if the Expansion Area, or any part thereof, is not leased to the prospective tenant contemplated by Lessor's memorandum within the time-period and on terms no more favorable to such tenant than originally offered to Lessee, the Expansion Area shall thereafter continue to be subject to the terms and conditions imposed by this Section 17.1(a) upon third party offers to lease and the first refusal procedure established by this Section 17.1(a) shall be reinstated.

(b) Should Lessee elect to exercise its Right of First Refusal, the terms and conditions of this Lease shall apply to the Expansion Area except as modified by the terms of the offer if Lessee has accepted in Section 17.1(a) option (i) above. Rent for the Expansion Area shall be at the then current square meter rental rate except as modified by the terms of the offer if Lessee has accepted in Section 17.1(a) option (i) above.

(c) Should Lessee exercise its Right of First Refusal, Lessor shall deliver such Expansion Area to Lessee, in Turnover Condition (defined below) whereupon said Expansion Area shall be added to and become a part of the Site and shall be governed in all respects by the terms of this Lease except that (i) as to the Right of First Refusal, the terms of the offer upon which Lessee exercised such right shall govern to the extent inconsistent with the terms of this Agreement and (ii) notwithstanding anything herein to the contrary, the term applicable to such space shall end at the same time, and under the same conditions, as applicable to the Lease Term. As used herein, "Turnover Condition" shall mean broom clean, free of occupants, debris, and movable property.

Article 18. Additional Warehouse

18.1 In accordance with Applicable Laws and if any land in the Cheong Ju Complex is available for the construction of one additional warehouse ("First Additional Warehouse"), Lessee may elect to construct a First Additional Warehouse by hiring its own contractors and performing such construction. In such event, Lessor shall provide or engage in the following:

(a) the use or lease of the additional land necessary for the construction of the First Additional Warehouse, which would become part of the Lease Rights Site II; and

(b) the use of access to such additional land and to the completed First Additional Warehouse, which would become part of the Easement Site II.

(c) to undertake the performance for Lessee to obtain second priority Lease Rights for the site of the First Additional Warehouse and second priority Easement Rights for access from a public road along the main road to the site of the First Additional Warehouse consistent with Article 7 of this Agreement.

18.2 In accordance with Applicable Laws and if any land in the Cheong Ju Complex is available for the construction of one other additional warehouse ("Second Additional Warehouse", together with the First Additional Warehouse, the "Additional Warehouses"), upon Lessee's request, the Parties shall discuss in good faith (i) to accommodate such request and (ii) the selection of the site for the Second Additional Warehouse and other required acts. If both Parties agree, Lessor shall provide the undertakings as set forth in Sections 18.1(a), (b) and (c) above.

18.3 This Section shall be deemed as advance consent by Lessor to the site of the Additional Warehouses becoming part of the Lease Rights Site II and having the right of Easement Right II for access from a public road along the main road to the site of the Additional Warehouses.

Article 19. Insurance.

19.1. Lessor and Lessee shall each obtain from, keep in force during the Lease Term with, and pay all premiums due to, an insurer(s) holding a Best Rating of B+ or higher, Standard

Commercial General Liability Insurance. The limits of liability of such insurances shall be in an amount not less than One Million Dollars ($1,000,000.00) per occurrence, Personal Injury including death and One Million Dollars ($1,000,000.00) per occurrence, Property Damage Liability or One Million Dollars ($1,000,000.00) combined single limit for Personal Injury and property Damage Liability.

19.2. Lessee shall pay to Lessor the incremental amount of insurance premiums which will be additionally charged to Lessor due to Lessor's grant to Lessee of lease of the Lease Rights Site I and easement right to the Easement Site in accordance with this Agreement.

Article 20. Signage.

Upon surrender or vacation of the Leased Premises, Lessee shall have removed all signs it has installed. Lessee shall obtain all applicable Governmental Authorizations for sign and exterior treatments at its sole cost and expense. Lessor consents to the signage as depicted on Exhibit E. If Lessee desires to install signs, decorations, or advertising media, the Parties shall discuss in good faith the installation of such signage.

Article 21. Force Majeure.

21.1. Neither Party shall be liable to the other Party for failure of or delay in the performance of any obligations under this Agreement due to causes reasonably beyond its control including (i) war, insurrections, riots, explosions, inability to obtain raw materials due to then current market situation; (ii) natural disasters and acts of God, such as violent storms, earthquakes, floods, and destruction by lightning; (iii) the intervention of any Governmental Entity or changes in relevant laws or regulations which restrict or prohibit either Party's performance of its obligations under this Agreement or implementation of this Agreement; or (iv) strikes, lock-outs and work-stoppages, which are beyond the reasonable control of the Party claiming the benefit (each, an "Event of Force Majeure"). Upon the occurrence of an Event of Force Majeure, the affected Party shall notify the other Party as soon as possible of such occurrence, describing the nature of the Event of Force Majeure and the expected duration thereof. Notwithstanding the foregoing, Lessee shall be under continuing obligation to make the payments required hereunder for any Rent, Other Costs and the corresponding VAT payable by Lessee, which was payable by Lessee prior to the occurrence of an Event of Force Majeure.

21.2. If a Party is unable, by reason of an Event of Force Majeure, to perform any of its obligations under this Agreement, then such obligation shall be suspended to the extent and for the period that the affected Party is unable to perform. If this Agreement requires an obligation to be performed by a specified date, such date shall be extended for the period during which the relevant obligation is suspended due to such an Event of Force Majeure under this Agreement.

Article 22. Confidentiality.

22.1. Confidentiality. Neither Party shall, except as expressly permitted by the terms of this Agreement, disclose to any third party the terms and conditions of this Agreement, the

existence of this Agreement and any Confidential Information which either Party obtains from the other Party in connection with this Agreement and/or use such Confidential Information for any purposes whatsoever other than those contemplated hereunder provided, however, that this Agreement (and its terms and conditions) may be disclosed and filed publicly in connection with a public offering of securities by Lessee or its Affiliates. "Confidential Information" shall mean any and all information including technical data, trade secrets or know-how, disclosed by either Party to the other Party in connection with this Agreement, which is marked as "Proprietary" or "Confidential" or is declared by the other Party, whether in writing or orally, to be confidential, or which by its nature would reasonably be considered confidential.

22.2. The obligation of confidentiality in Section 22.1 shall not apply to any information that: (a) was known to the other Party without an obligation of confidentiality prior to its receipt thereof from the disclosing Party; (b) is or becomes generally available to the public without breach of this Agreement, other than as a result of a disclosure by the recipient Party, its representatives, its Affiliates or the representatives of its Affiliates in violation of this Agreement; (c) is rightfully received from a third party with the authority to disclose without obligation of confidentiality and without breach of this Agreement; or (d) is required by law or regulation to be disclosed by a recipient Party or its representatives (including by oral question, interrogatory, subpoena, civil investigative demand or similar process), provided that written notice of any such disclosure shall be provided to the disclosing Party in advance. If a Party determines that it is required to disclose any information pursuant to applicable law (including the requirements of any law, rule or regulation in connection with a public offering of securities by Lessor or its Affiliates) or receives any demand under lawful process to disclose or provide information of the other Party that is subject to the confidentiality provisions hereof, such Party shall notify the other Party prior to disclosing and providing such information and shall cooperate at the expense of the requesting Party in seeking any reasonable protective arrangements requested by such other Party. Subject to the foregoing, the Party that receives such request may thereafter disclose or provide information to the extent required by such law or by lawful process.

Article 23. Miscellaneous.

23.1. Exercise of Right. A Party may exercise a right, power or remedy at its discretion, and separately or concurrently with another right, power or remedy. A single or partial exercise of a right, power or remedy by a Party does not prevent a further exercise of that or of any other right, power or remedy. A failure to exercise a right, power or remedy or a delay in exercising a right, power or remedy by a Party does not prevent such Party from exercising the same right thereafter.

23.2. Extension; Waiver. At any time during the Lease Term, each of Lessor and Lessee may (a) extend the time for the performance of any of the obligations or other acts of the other or (b) waive any inaccuracies in the representations and warranties of the other contained in this Agreement or in any document delivered pursuant to this Agreement. Any agreement on the part of a Party to any such extension or waiver shall be valid only if set

forth in an instrument in writing signed on behalf of such Party. The failure of any Party to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of those rights. Any rights under this Agreement may not be waived except in writing signed by the Party granting the waiver or varied except in writing signed by the Parties.

23.3. Notices. Any notice, request, demand, waiver, consent, approval or other communication which is required or permitted to be given to any Party shall be in writing and shall be deemed duly given only upon delivery to the Party personally (including by reputable overnight courier service), when telecopied (with confirmation of transmission having been received) during normal business hours or three days after being mailed by registered or certified mail (return receipt requested), with postage and registration or certification fees thereon prepaid, addressed to the Party at its address set forth below (or at such other address for a party as shall be specified by such Party by like notice):

If to Lessor, to:

Hynix Semiconductor Inc.
Hynix Youngdong Building
891 Daechi-dong, Gangnam-gu
Seoul 135-738, Korea
Attention: O.C. Kwon
Telephone: 82-2-3459-3006
Facsimile: 82-2-3459-5955

If to Lessee, to:

MagnaChip Semiconductor, Ltd.
1 Hyangjeong-dong
Heungduk-gu
Cheongju City
Chung Cheong Bok-do
Korea
Telephone:

Attention: Dr. Youm Huh
Facsimile: +82-43-270-2134

with a copy to:

Dechert LLP
30 Rockefeller Plaza
New York, New York 10112
Telephone: (212) 698-3500
Facsimile: (212) 698-3599
Attention: Geraldine A. Sinatra, Esq.
Sang H. Park, Esq.

23.4. Fees and Expenses. All costs and expenses incurred in connection with this Agreement shall be paid by the Party incurring such expenses, except as specifically provided to the contrary in this Agreement.

23.5. Entire Lease; No Third Party Beneficiaries. This Agreement (a) constitutes the entire agreement between the Parties and supersedes all prior agreements and understandings, both written or oral, between the Parties with respect to the subject matter hereof and (b) is not intended to confer upon any person other than the Parties hereto any rights or remedies hereunder.

23.6. Severability of Provisions. Any term or provision of this Agreement that is held by a court of competent jurisdiction or other authority to be unlawful, invalid, void or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If the final judgment of a court of competent jurisdiction or other authority declares that any term or provision hereof is unlawful, invalid, void or unenforceable, the Parties agree that the court making such determination shall have the power to reduce the scope, duration, area or applicability of the term or provision, to delete specific words or phrases, or to replace any unlawful, invalid, void or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the unlawful, invalid or unenforceable term or provision.

23.7. Amendment and Modification. This Agreement (for the avoidance of doubt, including Exhibits attached hereto) may be amended, modified and supplemented in any and all respects, but only by a written instrument signed by the Parties expressly stating that such instrument is intended to amend, modify or supplement this Agreement.

23.8. Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement.

23.9. Election of Remedies. Neither the exercise of nor the failure to exercise a right or to give notice of a claim under this Agreement shall constitute an election of remedies or limit any Party in any manner in the enforcement of any other remedies that may be available to such Party, whether at law or in equity.

23.10. Language. This Agreement is being originally executed in the English language only. In the event that the Parties agree to have a Korean version of this Agreement following signing, this Agreement may be translated into Korean. The Parties acknowledge that the Korean version of this Agreement shall be for reference purposes only, and in the event of any inconsistency between the two texts, the English version shall control.

23.11. No Merger. It is the intention of the Lessor to lease the Land to the Lessee free of any merger of the fee estate and leasehold estate or any other interests that may be held contemporaneously by Lessor, or any of them, and Lessee. No such merger will occur until such time as the Lessee executes a written instrument specifically effecting such merger and duly records the same.

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed by its duly authorized representatives as of the date first above written.

Hynix Semiconductor Inc.
By: _____
Name:
Title:

MagnaChip Semiconductor, Ltd.
By: _____
Name:
Title:

Exhibit 10.4

FIRST AMENDMENT TO LAND LEASE AND EASEMENT AGREEMENT

This First Amendment to Land Lease and Easement Agreement (this "Amendment") is entered into as of December 30, 2005 by and between Hynix Semiconductor, Inc. ("Lessor") and MagnaChip Semiconductor Ltd. ("Lessee") (each a "Party", and collectively the "Parties").

WHEREAS, the Parties are parties to that certain Land Lease and Easement Agreement dated as of October 6, 2004 (the "Agreement"), and wish to amend the Agreement as set forth below.

NOW, THEREFORE, the Parties agree as follows:

1. Section 4.2 is hereby amended and restated in its entirety as follows:

   "Lessor shall provide an invoice (the "Invoice") to Lessee by the last day of each calendar month which shall include the amount of Rent, Other Costs and the corresponding VAT amount payable by Lessee for such month."

2. Section 4.3 is hereby amended and restated in its entirety as follows:

   "Lessee shall pay in aggregate the Rent, Other Costs and the corresponding VAT amount stated on each Invoice to the Lessor's designated account, or as otherwise designated by Lessor, by means of wire transfer in immediately available funds by the 25th day of the next calendar month following the date of the Invoice (the "Due Date")."

3. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Agreement.

4. Wherever necessary, all terms of the Agreement are hereby amended to be consistent with the terms of this Amendment. Except as set forth herein, the Agreement remains in full force and effect according to its terms.

5. This Amendment shall become effective from the 6th of October, 2004.

6. This Amendment shall be governed by, and shall be construed in accordance with, the laws of Korea.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have caused their duly authorized representatives to execute this Amendment as of the date first set forth above.

MagnaChip Semiconductor, Ltd.

By: _____
Name: Youm Huh
Title: President & Chief Executive Officer

Hynix Semiconductor, Inc.

By: _____
Name:
Title:

Exhibit 10.5

Execution Copy

GENERAL SERVICE SUPPLY AGREEMENT

between

Hynix Semiconductor Inc.

and

MagnaChip Semiconductor, Ltd.

October 6, 2004

TABLE OF CONTENTS

GENERAL SERVICE SUPPLY AGREEMENT

This GENERAL SERVICE SUPPLY AGREEMENT (this "Agreement"), dated as of October 6, 2004 (the "Effective Date"), is entered into by and between:

(1) Hynix Semiconductor Inc., a company organized and existing under the laws of the Republic of Korea ("Korea") with its registered office at San-136-1, Ami-Ri, Bubal-Eub, Ichon-Si, Kyoungki-Do, Korea ("Hynix"); and

(2) MagnaChip Semiconductor, Ltd., a company organized and existing under the laws of Korea with its registered office at 1, Hyangjeong-Dong, Heungduk-Gu, Cheongju-Si, Chungcheongbuk-Do, Korea ("NewCo") (each a "Party" and collectively the "Parties").

RECITALS

WHEREAS, the Parties have entered into a certain business transfer agreement dated June 12, 2004, as amended (the "BTA") pursuant to which, among other things, NewCo has agreed to acquire the Acquired Assets (as defined in the BTA) from Hynix subject to the terms and conditions set forth in the BTA;

WHEREAS, the Parties desire to enter into an agreement as contemplated by the BTA whereby Hynix and NewCo will provide to each other certain services related to goods, utilities and facilities in accordance with the terms and conditions of this Agreement which are required or desirable for the transition, setting-up or continuing operation of the applicable Party's business; and

WHEREAS, the execution and delivery of this Agreement is a condition to the Closing under the BTA.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter set forth, and intending to be legally bound hereby, the Parties agree as follows:

Article 1. Definitions

1.1. Unless otherwise defined herein, all capitalized terms shall have the meanings set forth below:

"Affiliate" shall have the meaning ascribed to such term in the BTA.

"AUP" shall mean the agreed-upon-procedures which Samil PricewaterhouseCoopers (formerly Samil Accounting Corporation) has performed in connection with the financial statements attached in Schedule 2.4 of the BTA.

"BTA" shall have the meaning ascribed to such term in the Recitals.

"Business" shall have the meaning ascribed to such term in the BTA. Any reference to the "conduct of the Business" or the "operation of the Business" shall refer to the conduct or operation of the Business as conducted as of the execution date of the BTA.

“Business Day” shall mean any day other than a Saturday, Sunday or a day on which banks in Seoul are authorized or obligated by relevant law to close.

“CAO Operation Support Services” shall mean on-the-job training of personnel so that such personnel can provide services related to accounting, finance, administration and control of human resources (but excluding planning and decision functions of human resources), which have been historically provided to the Business.

“Chemical Procurement Services” shall mean the sale by Hynix to NewCo of such quantities of CPD-18 in a state of Developer 2.38% CPD2000 (Developer 20%) and produced by mixing with de-ionized water (the “Chemical”) as are requested by NewCo from time to time to meet the requirements of NewCo’s business, and the services related to such sale in which every morning Hynix will pick up from such locations within the Hynix Complex in Cheongju, Korea as may be designated by NewCo from time to time such drums which NewCo has deposited there for these Services and the following morning Hynix will deliver to the same locations each such drum refilled with the Chemical.

“Closing” shall have the meaning ascribed to such term in the BTA.

“Closing Date” shall have the meaning ascribed to such term in the BTA.

“Confidential Information” shall have the meaning ascribed to such term in Section 15.1.

“Coordinating Committee” shall have the meaning ascribed to such term in Section 6.1.

“Daesung” shall mean Daesung Industrial Gas Co., Ltd., a company organized and existing under the laws of Korea and a party to the Daesung Agreements.

“Daesung Agreements” shall mean all agreements entered into between Hynix and Daesung under which Daesung supplies gas to Hynix by constructing and operating, at Daesung’s own cost and responsibility, on-site gas plants within the Hynix Complex in Cheongju, Korea.

“Damages” shall mean any and all losses, settlements, expenses, liabilities, obligations, claims, damages (including any governmental penalty or costs of investigation, clean-up and remediation), deficiencies, royalties, interest, costs and expenses (including reasonable attorneys’ fees and all other expenses reasonably incurred in investigating, preparing or defending any litigation or proceeding, commenced or threatened incident to the successful enforcement of this Agreement), the extent of which are recoverable under Korean law. For the purposes of Articles 11 and 12, Damages also shall include any and all increases in insurance premiums that are reasonably demonstrably attributable to the breach by NewCo or Hynix, as the case may be, of its representations, warranties, agreements and covenants expressly contained in this Agreement, or negligence, gross negligence, intentional breach or willful misconduct of NewCo or Hynix, as the case may be, for the two following annual policy periods.

“Environmental Safety & Facility Monitoring Services” shall mean the services related to wastewater treatment, sewage management (to the extent it is not supplied as a part of the Vivendi Services), fire emergency service and drills/training, facility monitoring service, radiation and in-house clinic, which have been historically provided to the Business.

“Event of Force Majeure” shall have the meaning ascribed to such term in Section 9.1.

“Governmental Authorization” shall mean any approval, consent, license, permit, waiver or other authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Entity or otherwise pursuant to any applicable laws, or any registration with, or report or notice to, any Governmental Entity pursuant to any applicable laws.

“Governmental Entity” shall mean a court, arbitral tribunal, administrative agency or commission or other governmental or other regulatory authority or agency.

“Hynix Complex” shall mean the Hynix and/or NewCo manufacturing, testing, packaging, research and development and other facilities located at Ichon, Cheongju, Gumi, and Seoul, Korea.

“Hynix Utilities and Infrastructure Support Services” shall mean the services related to electricity (154kV substation and substation of the Korea Electric Power Corporation), water, fuel (city gas and light oil), bulk gasses (of the type historically provided under the Daesung Agreements) and de-ionized water (to the extent it is not supplied by Vivendi as a part of the Vivendi Services), which have been historically provided to the Business in Cheongju, Korea.

“Indemnified Party” shall have the meaning ascribed to such term in Section 11.1.

“Indemnifying Party” shall have the meaning ascribed to such term in Section 11.1.

“Joint Purchasing Services” shall mean, to the extent permitted by applicable law, such cooperation and coordination between the Parties, including by means of information sharing and joint purchasing from the same vendors, as is necessary or advisable to achieve such benefits including volume discounts, cost reductions and efficiency in gathering market information in the purchase of equipment, silicon wafers, photo chemicals and other raw materials and spare parts, which have been historically provided to the Business.

“Leased Premises” shall have the meaning ascribed to such term in Section 3.14(a).

“Long-Term Service” shall mean each of the Vivendi Services and each of the services related to (a) electricity (154kV substation), electricity (substation of the Korea Electric Power Corporation), bulk gasses and de-ionized water (to the extent it is not supplied as a part of the Vivendi Services), which are part of the Hynix Utilities and Infrastructure Support Services; (b) use of and services related to dormitory (including sewage and waste management and disposal services), Hynix culture center, security cameras,

security guard house, commuting bus, cafeteria, communication systems including leased lines, company broadcasting system (other than content), company house (Poolen Apartments, Sawon Apartments and *sa-rang-bang*) and leased apartments (Woojung apartments), sports field, tennis courts and parking lot (near women's dormitories) and reserve troops in Cheongju, Korea, and use of and services relating to Highla Condominiums, Korea Condominiums and, subject to then applicable union contracts and restrictions, other condominiums existing as of the date hereof, which are part of the Welfare Facility Services; and (c) wastewater treatment and sewage management (to the extent they are not supplied as a part of the Vivendi Services), fire emergency service and drills/training and in-house clinic, which are part of the Environmental Safety & Facility Monitoring Services.

"Maintenance Activities" shall have the meaning ascribed to such term in Section 5.1.

"Mask Services" shall mean certain services relating to the Products as defined in the Mask Production and Supply Agreement between the Parties, dated the date hereof, including defect inspection, repair and cleaning of such Products.

"NewCo Utilities and Infrastructure Support Services" shall mean the services related to management of water tank, supply of assembly utility and waste management, which have been historically used or received by Hynix (other than in connection with the Business) in connection with Hynix's use of the R, C1, C2, C3 and Assembly buildings in Cheongju, Korea.

"Notice of Sale" shall have the meaning ascribed to such term in Section 4.5.

"Notice Period" shall have the meaning ascribed to such term in Section 4.5.

"Offered Assets" shall have the meaning ascribed to such term in Section 4.5.

"Permitted Business" shall mean the Business or any other semiconductor, information technology or other technology related business.

"Service Facilities" shall mean those facilities at the Hynix Complex and those assets that are used for or relate to the provision of the Services.

"Services" shall mean such services related to goods, facilities and utilities which are required or desirable for transition, setting-up or continuing operation of the applicable Party's business and consisting of each of the services constituting the Vivendi Services, Hynix Utilities and Infrastructure Support Services, NewCo Utilities and Infrastructure Support Services, Welfare Facility Services, Environmental Safety & Facility Monitoring Services, Mask Services, CAO Operation Support Services, Chemical Procurement Services, Joint Purchasing Services and the other services described herein.

"Subsidiaries" shall have the meaning ascribed to such term in the BTA.

"Term" shall have the meaning ascribed to such term in Article 2.

"Third Party Supplier(s)" shall mean Daesung and/or Vivendi, as applicable, which provide certain services to Hynix for Hynix's provision of such Services hereunder.

"Third Party Supplier Agreement(s)" shall mean the Daesung Agreement and/or the Vivendi Water and Wastewater Services Agreement, as applicable, and any replacements or modifications thereof from time to time.

"Unprotected Long-Term Services" shall mean each of the services related to (a) security cameras, security guard house, commuting bus, cafeteria, communication systems including leased lines, company broadcasting system, company house (Poolen Apartments, Sawon Apartments and *sa-rang-bang*) and leased apartments (Woojung apartments), sports field, tennis courts and parking lot (near the women's dormitories) and reserve troops in Cheongju, Korea, and Highla Condominiums, Korea Condominiums and, subject to then applicable union contracts and restrictions, other condominiums existing as of the date hereof, which are part of the Welfare Facility Services; and (b) fire emergency service and drills/training and in-house clinic, which are part of the Environmental Safety & Facility Monitoring Services.

"Vivendi" shall mean Veolia Water Industrial Development Co., Ltd. (formerly known as "Vivendi Water Industrial Development Co., Ltd."), organized and existing under the laws of Korea and a party to the Vivendi Water and Wastewater Services Agreement.

"Vivendi Services" shall mean the services related to de-ionized water supply and wastewater disposal in the Hynix Complex located in Cheongju, Korea and in Gumi, Korea, and all such other services provided by Vivendi to Hynix under the Vivendi Water and Wastewater Service Agreement.

"Vivendi Water and Wastewater Services Agreement" shall mean the Water and Wastewater Services Agreement dated March 29, 2001 entered into by and between Hynix (then named Hyundai Electronics Industries Co., Ltd.) and Vivendi, as the same may be amended from time to time.

"Warrant Issuer" shall have the meaning ascribed to such term in the BTA.

"Welfare Facility Services" shall mean such welfare and facility services, including the use of and services related to (a) dormitories (including sewage and waste management and disposal services), Hynix culture center, security cameras, security guard house, commuting bus, cafeteria, communication systems, company broadcasting system (other than content), company house (Poolen Apartments, Sawon Apartments and *sa-rang-bang*) and leased apartments (Woojong apartments), sports fields, tennis courts and parking lot (near women's dormitories), and reserve troops in the Hynix Complex located in Cheongju, Korea; (b) leased apartments, dormitory (including sewage and waste management and disposal services), cafeteria, gymnasium, parking lot, communication systems, pavilion/PR center/audience room, kindergarten, reserve troops, security and sports field in the Hynix Complex located in Ichon, Korea; (c) reserve troops, postal and package delivery (among Cheongju, Ichon and Youngdong), security card key system and communication systems in the Hynix Complex located in Youngdong Building,

Seoul, Korea, which have been historically provided to the Business; and (d) Highla Condominiums, Korea Condominiums and, subject to then applicable union contracts and restrictions, other condominiums existing as of the date hereof owned by Hynix.

1.2. Rules of Interpretation.

(a) When a reference is made in this Agreement to a section or article, such reference shall be to a section or article of this Agreement unless otherwise clearly indicated to the contrary.

(b) Whenever the words “include”, “includes” or “including” are used in this Agreement they shall be deemed to be followed by the words “without limitation.”

(c) The words “hereof”, “hereto”, “herein” and “herewith” and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, and article, section, paragraph, exhibit and schedule references are to the articles, sections, paragraphs, exhibits and schedules of this Agreement unless otherwise specified.

(d) The meaning assigned to each term defined herein shall be equally applicable to both the singular and the plural forms of such term, and words denoting any gender shall include all genders. Where a word or phrase is defined herein, each of its other grammatical forms shall have a corresponding meaning.

(e) A reference to any party to this Agreement or any other agreement or document shall include such party’s successors and permitted assigns.

(f) A reference to any legislation or to any provision of any legislation shall include any amendment to, and any modification or re-enactment thereof, any legislative provision substituted therefor and all regulations and statutory instruments issued thereunder or pursuant thereto.

(g) The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provisions of this Agreement.

(h) Headings are for convenience only and do not affect the interpretation of the provisions of this Agreement.

(i) Any Exhibits attached hereto are incorporated herein by reference and shall be considered as a part of this Agreement.

Article 2. Term of Agreement; Duration of Services

2.1. This Agreement shall become effective on the Effective Date and continue in full force and effect for so long as any Service is being provided hereunder, unless earlier terminated in accordance with Article 10 (the "Term").

2.2. Unless specified otherwise in this Article 2, each of the Services shall be provided from the Effective Date until the date that is one (1) year after the Effective Date (the "Initial Service Period"), unless otherwise earlier terminated pursuant to this Agreement. Unless specified otherwise in this Article 2, after the Initial Service Period for a Service, such Service shall be provided for one additional one (1) year period NewCo notifies Hynix in writing of its desire not to renew the provision of such Service at least sixty (60) days prior to the expiration of the Initial Service Period or the Service is earlier terminated pursuant to this Agreement.

2.3. The provision of Services in the Hynix Complex located in Youngdong Building, Seoul, and Ichon, Korea, respectively, will terminate after the applicable lease for the Hynix Complex located in Youngdong Building, Seoul, and Ichon, Korea, respectively, terminates, provided, however, that with respect to the leased apartments in Ichon, Korea, NewCo or the NewCo employee (as applicable) shall have the right to early termination of such leased apartment without penalty and shall, subject to the regulations of Hynix concerning the leased apartments, have the option to renew a leased apartment for one additional term.

2.4. Each Long-Term Service shall be provided for the Initial Service Period and for successive additional one (1) year periods, unless NewCo notifies Hynix in writing of its desire not to renew the provision of such Long-Term Service at least sixty (60) days prior to the expiration of the Initial Service Period or any annual anniversary thereof or the Long-Term Service is earlier terminated pursuant to this Agreement.

2.5. NewCo and Hynix shall, for a period of one year from the date hereof, cooperate with each other and negotiate in good faith with Vivendi regarding, and use commercially reasonable efforts to enter into, separate water and wastewater services agreements with Vivendi under which Vivendi shall directly provide NewCo and Hynix with services that are identical to the services provided by Vivendi to Hynix under the Vivendi Water and Wastewater Services Agreement, with terms at least as favorable as those on which the services are currently provided to Hynix. To the extent that NewCo is able to enter into such an agreement, Hynix will no longer be obligated to provide such services as are provided directly from Vivendi to NewCo under such agreement. To the extent that NewCo is unable to receive the applicable services directly from Vivendi, Hynix shall remain obligated to provide Vivendi Services to NewCo in accordance with the terms and conditions of this Agreement. NewCo and Hynix shall, for a period of one year from the date hereof, cooperate with each other and negotiate in good faith with Daesung regarding, and use commercially reasonable efforts to enter into, separate gas agreements with Daesung under which Daesung shall directly provide NewCo and Hynix with services that are identical to the services provided by Daesung to Hynix under the Daesung Agreements, with terms at least as favorable as those on which the services currently are

provided to Hynix. To the extent that NewCo is able to enter into such an agreement, Hynix will no longer be obligated to provide such services as are provided directly from Daesung to NewCo under such agreement. To the extent that NewCo is unable to receive the applicable services directly from Daesung, Hynix shall remain obligated to provide such services to NewCo in accordance with the terms and conditions of this Agreement.

2.6. NewCo Utilities and Infrastructure Support Services shall be provided for the Initial Service Period and for successive one (1)-year periods, unless Hynix notifies NewCo in writing of its desire not to renew the provision of the NewCo Utilities and Infrastructure Support Services at least sixty (60) days prior to the expiration of the Initial Service Period or any annual anniversary thereof or the NewCo Utilities and Infrastructure Support Services are earlier terminated pursuant to this Agreement.

2.7. Notwithstanding any other provision of this Agreement to the contrary, each Party may terminate the provision of any Service, in whole or in part, by providing the other Party with sixty (60) days prior notice of such termination (or such shorter time period of notice as is specified for such Service in Exhibit A). The terminating Party shall not be obligated to pay the other Party the service fees attributable to such cancelled Service(s), or part thereof, to the extent such fees are for services provided for any period beginning on or after the effective date of such termination.

2.8. Chemical Procurement Services shall be provided from the Effective Date until the date that is five (5) years after the Effective Date, and thereafter for so long as Hynix has the capacity to provide such Service, unless otherwise earlier terminated pursuant to this Agreement.

2.9. With respect to the Services related to the company broadcasting system under the Welfare Facility Services relating to production and development of content, such services shall be provided from the Effective Date until the date that is five (5) years after the Effective Date, unless otherwise earlier terminated pursuant to this Agreement.

2.10. The Mask Services shall be provided from the Effective Date until the date that is five (5) years after the Effective Date, unless otherwise earlier terminated pursuant to this Agreement.

Article 3. Services and Fees

3.1. Hynix shall provide, or cause the applicable Third Party Supplier to provide, NewCo with the Vivendi Services, Hynix Utilities and Infrastructure Support Services, Welfare Facility Services, Environmental Safety & Facility Monitoring Services, Mask Services, CAO Operation Support Services and Chemical Procurement Services, and NewCo shall receive such Services from Hynix, for the periods determined in accordance with Article 2. NewCo shall provide Hynix with the NewCo Utilities and Infrastructure Support Services, and Hynix shall receive such Services from NewCo, for the periods determined in accordance with Article 2.

3.2. The Parties shall each provide the Joint Purchasing Services to the other at no cost to the other and, to the extent permitted by applicable law, shall jointly purchase equipment,

silicon wafers, photo chemicals and other materials or spare parts if such joint purchasing would reduce the cost of any such item. For such purpose, Hynix and NewCo shall form a joint purchasing steering committee composed of an equal number of representatives designated by each Party to, to the extent permitted by applicable laws, coordinate information sharing and the joint purchasing of equipment, silicon wafers, photo chemicals and other raw materials and spare parts.

3.3. The fees for the Environmental Safety & Facility Monitoring Services, Hynix Utilities and Infrastructure Support Services, NewCo Utilities and Infrastructure Support Services, Welfare Facility Services and Chemical Procurement Services shall be determined in accordance with Exhibits B, C.1, C.2, E and F, respectively. Until the expiration and/or termination of the Vivendi Water and Wastewater Service Agreement, the fees for the Vivendi Services shall be determined in accordance with Exhibit D.

3.4. Hynix shall provide NewCo with the CAO Operation Support Services, at no additional cost, for the period set forth in Article 2. Hynix shall provide NewCo with the Mask Services at actual cost incurred for the period set forth in Article 2.

3.5. Upon the expiration of the Vivendi Water and Wastewater Service Agreement, Hynix will be entitled to receive certain assets (the "Vivendi Assets") from Vivendi used in connection with the provision of services under such agreement. In such case, upon NewCo's request, Hynix shall promptly transfer, assign and convey to NewCo, at no additional cost, those Vivendi Assets which are listed on Exhibit D hereto. Upon the early termination of the Vivendi Water and Wastewater Service Agreement, Hynix also will be entitled to receive the Vivendi Assets from Vivendi used in connection with the provision of services under such agreement. In such case, upon NewCo's request, Hynix shall promptly transfer, assign and convey to NewCo those Vivendi Assets which are listed on Exhibit D hereto at the same price paid by Hynix to Vivendi for such Vivendi Assets under the Vivendi Water and Wastewater Services Agreement. To the extent that there are any benefits provided to either Party under the Vivendi Water and Wastewater Service Agreement, both Parties shall work in good faith to divide such benefits between them in an equitable manner.

3.6. With respect to the Welfare Facility Services related to the dormitories, NewCo shall provide Hynix with the names and identities of NewCo's employees who intend to use such Welfare Facility Services as soon as reasonably practical in advance of the first day of such use.

3.7. NewCo agrees that it shall, and shall cause NewCo's directors, officers, employees, agents, representatives or any other permitted users of the Welfare Facility Services to, abide by all reasonable safety and administrative rules and regulations of Hynix related to the Welfare Facility Services, if any.

3.8. Subject to Section 3.14, Hynix and NewCo shall have equal rights for the use of all relevant facilities for the Welfare Facility Services. NewCo and its directors, officers and employees shall, at all times, receive the benefits of the Welfare Facility Services on terms and conditions that are as favorable as those enjoyed by Hynix, and its directors, officers and employees at such time without any additional incremental cost to NewCo or its directors, officers or employees.

3.9. Hynix shall provide, at no additional cost, NewCo and NewCo's representatives with access at all reasonable times to any historical data relating to the Business that NewCo may request. In furtherance of the forgoing, at the reasonable request of NewCo, Hynix shall provide NewCo and NewCo's representatives with access to, or shall otherwise provide to NewCo and NewCo's representatives, electronic data in electronic form relating to the Business. NewCo shall provide, at no additional cost, Hynix and Hynix's representatives with access at all reasonable times to any historical data relating to Hynix's business, except for information relating to the Business, that Hynix may request. Neither Party shall, for a period of six years after the date hereof, destroy any such data without giving the other Party at least 30 days prior written notice, during which time the other Party shall have the right (subject to Article 15) to examine, remove, to the extent not prohibited by operation of applicable law, or make and retain a copy of, any such data prior to destruction. Nothing herein shall limit or modify or be deemed to limit or modify the Parties' rights and obligations under Section 6.2 of the BTA.

3.10. If either Party receives any payment after the Closing Date to which the other Party is entitled pursuant to the BTA, such Party shall promptly (and in no event later than ten (10) Business Days after receipt of such payment) remit such payment to the other Party.

3.11. In addition to the Services set forth herein, Hynix and NewCo acknowledge and agree that there may be additional services which have not been identified but which historically have been provided by Hynix to the Business and which shall continue to be required or desired by NewCo. If, within one year of the Closing Date, any such additional services are identified and requested reasonably in advance by NewCo, Hynix shall provide such additional services to NewCo in a manner consistent with the other Services, at a price no greater than actual cost, and, to the extent applicable, calculated by taking into account the AUP. Any such additional services which are consistent with the type and subject matter of other Long-Term Services under this Agreement shall be deemed to be Long-Term Services for the purposes of Article 2 and any other such additional services shall be provided until the second anniversary of the date hereof, subject to Section 2.7. With respect to additional services which historically have not been provided by Hynix with respect to the Business ("New Service"), at the request of NewCo, the Parties will discuss in good faith the provision of any such New Service by Hynix to NewCo.

3.12. Any fees for the Services to be provided hereunder are set forth on the applicable Exhibit and there are no other fees for the Services except as set forth thereon. To the extent applicable, calculations hereunder shall be made by taking into account the AUP.

3.13. Notwithstanding anything herein to the contrary, but subject to the last sentence of Section 3.11, the Parties acknowledge and agree that it is their mutual intent that the fees for the Services provided hereunder shall be no greater than the actual cost reasonably incurred to provide such Services. The Parties agree to cooperate in good faith in furtherance of the foregoing, including by adjusting the fees from time to time if

necessary in order to effectuate this intent and by conducting, at the request of either Party, an audit of the fees in each calendar year during which services are provided (at a time within the first six months of the succeeding calendar year mutually agreed to in good faith) to compare the costs actually incurred to provide the Services hereunder during such period with the fees paid for such Services. The audited Party may dispute the results of any such audit, provided that the audited Party shall notify the requesting Party in writing of such disputed results within 30 days of the audited Party's receipt of the results of the audit. In the event of any such dispute, Hynix and NewCo shall attempt to reconcile their differences and any resolution by them as to any disputed amounts shall be final, binding and conclusive on Hynix and NewCo. If Hynix and NewCo are unable to reach a resolution to such effect of all disputed amounts within 30 days of receipt of the audited Party's written notice of dispute to the requesting Party, NewCo and Hynix shall submit the amounts remaining in dispute for resolution to the Independent Accounting Firm, which shall, within 30 days after such submission, determine and report to Hynix and NewCo with respect to the amounts disputed. The findings of the Independent Accounting Firm shall be final, binding and conclusive on Hynix and NewCo. If the results of any such audit as finally determined indicate that the requesting Party has, in the aggregate with respect to all costs audited, paid more than the amount otherwise required to have been paid pursuant to this Agreement, the audited Party shall promptly (and in no event later than 30 days from the date of such determination) refund the amount of such overpayment to the requesting Party. If the results of any such audit as finally determined indicate that the requesting Party has, in the aggregate with respect to all costs audited, paid less than the amount otherwise required to have been paid pursuant to this Agreement, the requesting Party shall promptly (and in no event later than 30 days from the date of such determination) pay the amount of such underpayment to the audited Party. For any individual deficiency or overpayment indicated by the results of any such audit as finally determined, the Party owing the payment shall pay to the other Party, in addition to such payment due, interest thereon at a rate of eight (8%) percent per annum of such deficiency or overpayment for the period from the date of such deficiency or overpayment until the date finally paid or reimbursed, as the case may be. The total costs involved in any such audit shall be paid by: (i) the requesting Party, in the case that the audit demonstrates a deviation in the aggregate with respect to all audited costs of less than 5% from the amount otherwise required to have been paid pursuant to this Agreement, (ii) both Parties equally, in the case that the audit demonstrates a deviation from 5% to 10% and (iii) the audited Party, in the event that the audit demonstrates a deviation greater than 10%. Each Party shall use its commercially reasonable efforts to minimize the costs incurred to provide the Services. The Parties agree that the audit contemplated hereunder shall be conducted only once in each calendar year for all of the following agreements entered into by and between the Parties and/or their Affiliates as of the date hereof: General Service Supply Agreement, R&D Equipment Utilization Agreement, IT & FA Service Agreement, Taiwan Overseas Sales Services Agreement, U.S. Overseas Sales Services Agreement, Japan Overseas Sales Services Agreement, U.K. Overseas Sales Services Agreement and Hong Kong Overseas Sales Services Agreement.

3.14. (a) Hynix and NewCo shall have the right to use up to 54.7% and 45.3%, respectively, of the units in each dormitory and apartment in Cheongju, Korea

which is a part of the Welfare Facility Services. Each Party shall have the right to use such additional amount of the units in each such dormitory or apartment as the Parties may agree from time to time. In order to secure NewCo's right described in the first sentence of this Section 3.14 (a), on or after the Effective Date, NewCo shall have the right to register lease rights (the "Lease Rights") over 45.3% of the total floor area of each dormitory in the Hynix Complex in Cheongju, Korea (the "Leased Premises") with the relevant real property registry offices for the Term, such Lease Right registration having priority over any lien or encumbrance established on such dormitories other than statutory liens and liens established thereon as of one (1) day prior to the Closing Date by Hynix's financing creditors; provided, however, that with respect to the women's dormitory, Hynix shall conduct the registration to preserve ownership with respect to the women's dormitory within one (1) year from the Effective Date and shall thereafter register the Lease Rights over 45.3% of the total floor area of the women's dormitory having priority over any lien or encumbrance established on the women's dormitory other than statutory liens and liens to be established thereon by Hynix's financing creditors. Hynix shall take any action necessary to maintain or cause to be maintained the priority of the Lease Right, subordinate only to such Hynix's senior financing and statutory liens, with respect to the Leased Premises during the Term. Hynix shall provide to NewCo all necessary documents normally required of a lessor for the registration of the Lease Right on the Leased Premises on the Effective Date. For the avoidance of doubt, the Parties agree and acknowledge that notwithstanding the registration of the Lease Rights pursuant to this Section 3.14(a), NewCo shall not have the right to exclusively use the Leased Premises and the Parties shall have the right to use all dormitories in existence as of the date hereof on a pro rata shared basis as indicated in the first sentence of this Section 3.14(a).

(b) With respect to the leased apartments in Ichon, Korea which are a part of the Welfare Facility Services, only the employees of NewCo who reside in such apartments on the date hereof or who apply to Hynix for occupancy within one day prior to the Closing Date shall be eligible to occupy such apartments.

3.15. Hynix shall provide e-mail forwarding services for NewCo employees for up to six (6) months from the Closing Date at no additional cost so that any e-mail addressed to the former Hynix e-mail account of a NewCo employee shall automatically forward to the NewCo e-mail account of such NewCo employee. Each NewCo employee shall be entitled to use the same telephone numbers and fax numbers as it used prior to the Closing Date and NewCo shall also be entitled to use the same telephone numbers and fax numbers as were used by the Business prior to the Closing Date.

3.16. With respect to the sports field and the parking lot near the women's dormitories as set forth on Exhibit G, Hynix may cease to provide these facilities to NewCo on three months prior written notice in the event Hynix determines to put such space to a different use or sells such facilities, but if such facilities are replaced with a substitute recreational facility or parking lot, respectively, such facilities shall be made available to NewCo and its employees as part of the Welfare Facilities Services to the extent such substitute

facilities are available to Hynix or its employees. If Hynix makes any other sports field or parking lot available to Hynix employees in lieu of the removed facilities, such other sports field and parking lot shall be made available to NewCo and its employees as part of the Welfare Facilities Services.

3.17. Hynix may, on three months prior written notice to NewCo, remove the tennis courts set forth in Exhibit G in Cheongju, Korea, but only in the event that such tennis courts are replaced with a substitute recreational facility, such facility to be made available to NewCo and its employees as part of the Welfare Facilities Services.

3.18. With respect to the Highla Condominiums, Korea Condominiums and, subject to then applicable union contracts and restrictions, other condominiums existing as of the date hereof under the Welfare Facilities Services, Hynix shall make such condominiums available to NewCo employees on the same terms applicable to Hynix employees. There shall be no additional fees paid by NewCo's employees with regard to such condominiums except the usage fees paid by the employee using such condominiums, which shall be consistent with fees paid by Hynix employees.

3.19. With respect to fire emergency drills/training under the Environmental Safety & Facility Monitoring Services, the Parties shall cooperate in good faith in determining the scheduling of such drills and training at mutually agreeable times.

3.20. Beginning upon the expiration and/or early termination of the Vivendi Water and Wastewater Service Agreement, each Party will cooperate and coordinate with each other as is reasonably necessary or advisable for the joint operation of the Vivendi Assets, including entering into an agreement with a third party service provider, in order that both Parties receive services that are identical to the services provided by Vivendi as of the expiration and/or early termination of the Vivendi Water and Wastewater Service Agreement. Beginning upon the the expiration and/or early termination of the Vivendi Water and Wastewater Service Agreement, each Party shall provide back up services to the other Party with respect to the Vivendi Services, including use of de-ionized water systems, waste water treatment facilities and other applicable facilities.

Article 4. Supply of the Services; Right of First Refusal

4.1. The obligations of Hynix to provide each of the Vivendi Services, and the part of the Hynix Utilities and Infrastructure Support Services provided by Daesung, set forth in this Agreement shall be subject, to the extent applicable, to the terms and conditions of the applicable Third Party Supplier Agreements; provided that NewCo shall be entitled to participate in any negotiations that Hynix may have with any third party supplier regarding the provision of services by such third party supplier, including any renewal, replacement, modification or termination of any third party supplier agreement and Hynix shall not agree to any renewal, replacement, modification or termination of the Vivendi Water and Wastewater Service Agreement or Daesung Agreements without NewCo's prior written consent (which consent shall not be unreasonably withheld).

4.2. Unless Hynix otherwise agrees and subject to Article 13, NewCo shall use the Services for the sole purpose of operating and maintaining NewCo's business and may not sell, transfer, supply or grant access to any of the Services to any third party without Hynix's prior written consent (which shall not be unreasonably withheld).

4.3. All Services under this Agreement shall be performed in compliance with all applicable laws and regulations in all material respects, in a manner, to the extent and at a time, substantially consistent with past practice and in the manner, extent and time in which the applicable Party performs similar services for its own benefit (including with respect to using employees with similar levels and experience). The Parties agree to take timely and adequate action to correct any deficiency in the performance of any Service.

4.4. The Parties shall cooperate in good faith to increase overall site safety and reduce insurance costs.

4.5. In the event that Hynix wishes to sell or otherwise dispose of all or any part of its assets ("Offered Assets") that are used for or relate to the provision of the Services at any time during the Term, Hynix shall first make an offer for the sale of such Offered Assets to NewCo by giving NewCo a written notice setting forth the price and other terms and conditions thereof ("Notice of Sale"). NewCo shall notify Hynix in writing whether NewCo accepts or rejects such offer made in the Notice of Sale within thirty (30) days after the receipt thereof (such thirty-day period, the "Notice Period"). Unless NewCo accepts in writing such offer made in the Notice of Sale prior to the expiration of the Notice Period, Hynix shall be free to sell or otherwise dispose of such Offered Assets offered through the Notice of Sale to a third party within thirty (30) days from the date of expiration of the Notice Period; provided, however, that such sale or disposal to a third party shall not be made under terms and conditions more favorable than the offer made to NewCo in the Notice of Sale. If Hynix sells or otherwise disposes of any of such Offered Assets, it shall nonetheless continue to provide NewCo with the Services in accordance with this Agreement without any other change in the terms and conditions thereof; provided, however, that Hynix shall not be obligated to provide an Unprotected Long-Term Service following the fifth anniversary of the date hereof if NewCo has rejected the offer made in a Notice of Sale with respect to the assets used to provide such Unprotected Long-Term Service.

Article 5. Maintenance of the Services

5.1. During the Term of this Agreement if Hynix or any third party supplier (including Third Party Suppliers) has scheduled, or otherwise has planned to undertake inspection, testing, preventative maintenance, corrective maintenance, repairs, replacement, improvement or other similar activities to all or any portion of the Service Facilities (collectively, the "Maintenance Activities"), Hynix or the relevant third party supplier, as applicable, may, for the duration of such Maintenance Activities, interrupt, suspend or curtail the provision of relevant Services to the extent that the Maintenance Activities for the affected parts of the Service Facilities are necessary or advisable. In the event that Hynix is required to perform corrective maintenance, repairs due to malfunction or non-routine inspection due to a suspected malfunction, Hynix shall give NewCo prior written notice of such

activities to the extent reasonably possible. In the event that Hynix proposes to conduct any other Maintenance Activities, Hynix shall give NewCo as much prior written notice as reasonably possible of such activities, which in any event shall not be less than 30 days prior written notice, and Hynix shall consult with NewCo prior to undertaking or permitting to occur any such Maintenance Activity. Upon Hynix's receipt of any notice of any Maintenance Activities by any third party suppliers, Hynix promptly shall provide NewCo written notice thereof and shall consult with NewCo to the extent reasonably possible prior to permitting any such Maintenance Activities to occur.

5.2. If NewCo receives such notice as set forth in Section 5.1, then to the extent that the affected Services are insufficient to meet NewCo's requirements for NewCo's use thereof in accordance with the terms and conditions hereof, Hynix shall (i) to the extent Hynix has alternative sources available internally, provide alternate sources for the affected Services for the duration of the Maintenance Activities, (ii) to the extent that Hynix obtains any alternate sources for such Services, Hynix shall make available a pro-rata share of these alternate sources to NewCo, and (iii) if the foregoing are not available or are insufficient to meet NewCo's requirements, Hynix shall cooperate with NewCo to locate alternate sources for such Services. To the extent the foregoing alternate sources are provided by Hynix, there shall be no incremental cost or expense to NewCo. To the extent the foregoing alternate sources are provided by third-parties, NewCo shall bear the actual costs of the services it uses.

Article 6. Coordinating Committee

6.1. Within thirty (30) days after the Effective Date, the Parties shall establish a coordinating committee (the "Coordinating Committee") which shall consist of four (4) members, two (2) of which shall be appointed by Hynix and two (2) of which shall be appointed by NewCo. Each Party, upon prior written notice to the other Party, may from time to time remove or replace any member appointed by such Party.

6.2. Except as the Parties may otherwise agree in writing, the Coordinating Committee shall have the power and the responsibility under this Agreement to:

(a) act as a forum for the liaison between the Parties with respect to the day-to-day implementation of this Agreement;

(b) subject to Article 14, seek to resolve disputes; and

(c) undertake such other functions as the Parties may agree in writing.

Article 7. Payments for the Services

7.1. Hynix shall invoice NewCo on the tenth (10th) day (except that for the Vivendi Services this shall be the fourteenth (14) day, until the expiration and/or termination of the Vivendi Water and Wastewater Service Agreement) of each calendar month for the fees for the Environmental Safety & Facility Monitoring Services, Hynix Utilities and Infrastructure Support Services (except for the fees for electricity (substation of the Korea Electric Power Corporation), water and fuel, which will be invoiced as set forth in the

third sentence of this Section 7.1), Vivendi Services, Welfare Facility Services and Chemical Procurement Services, provided during the immediately preceding calendar month specifying the Services provided during that month and the amount of fees for such Services calculated in accordance with Exhibits B, C, D, E and F, respectively, and Article 3. By the twenty-fifth (25th) day of each calendar month so invoiced (except with respect to the Vivendi Services for which the due date will be the twenty-fourth (24th) day of each calendar month so invoiced, until the expiration and/or termination of the Vivendi Water and Wastewater Service Agreement), NewCo shall pay the invoiced amount and value added tax thereto to Hynix's designated account by means of a wire transfer in cash. In addition, by the fifth (5th) day prior to the due date for the fees for electricity (substation of the Korea Electric Power Corporation), water and fuel supplied by Hynix to NewCo as part of the Hynix Utilities and Infrastructure Support Services as such due date is set forth on the relevant invoice therefor, Hynix shall invoice NewCo for the fees for such Services in the amounts for which such fees are set forth on the relevant invoice issued by relevant agencies and NewCo shall pay such invoiced amount and value added tax thereto to Hynix's designated account by means of a wire transfer in cash by one (1) Business Day prior to such due date.

7.2. NewCo shall invoice Hynix on the tenth (10th) day of each calendar month for the fees for the NewCo Utilities and Infrastructure Support Services provided during the immediately preceding calendar month specifying the Services provided during that month and the amount of fees for such Services calculated in accordance with Exhibit C. By the twenty-fifth (25th) day of each calendar month so invoiced, Hynix shall pay the invoiced amount and value added tax thereto to NewCo's designated account by means of a wire transfer in cash.

7.3. All payments hereunder shall be made in Korean Won.

7.4. If a Party fails to make any payment due hereunder by the date it is due, such non-paying Party shall pay the other party, in addition to the amount of such payment due, a late charge of eight (8%) percent per annum of the outstanding amount, prorated to reflect a pro rata portion of such late charge for the period from the due date of the payment until finally paid.

7.5. Notwithstanding any dispute on the amount of payment under this Agreement, each Party shall continue to perform its obligations hereunder (including obligations to make payments of the amounts included on the invoices for the Services which are not disputed in good faith) and be entitled to exercise its rights under this Agreement; provided, however, that if a Party fails to pay in full the portion of sums invoiced by the other which are not disputed by the invoiced Party in good faith for three (3) calendar months after such sums become due, the invoicing Party may suspend or curtail the applicable Services for which payment was not made until such payment is made in full. Any invoice amount which remains disputed after thirty (30) days shall be referred to the Coordinating Committee in accordance with Section 14.2.

7.6. Each Party shall, at the request of the other Party, provide the other Party with relevant data and records for the determination of such Party's compliance with its obligations

under this Agreement (other than with respect to calculation of fees hereunder which is governed by Section 3.13); provided that a Party may make no more than one such request per calendar quarter and any such request must be reasonably specific. In this regard, each Party shall prepare and maintain proper books and records of all matters pertaining to the Services under this Agreement. Subject to Article 15 and the first sentence of this Section 7.6, upon seven (7) days prior written notice, either Party, or its authorized representatives, may examine during normal business hours, the books, records and documents of the other Party to the extent reasonably necessary for verification of compliance under this Agreement; provided, however, that if a Party is to provide such books and records to the other Party for such Party's examination and photocopying purposes, the other Party may blackout any information contained in such books and records that relates to the other Party other than information that is required for the determination of the other Party's compliance with its obligations under this Agreement.

7.7. Notwithstanding anything herein to the contrary, in the event of a bankruptcy filing with respect to NewCo, NewCo shall deposit with Hynix an amount equal to the fees paid by NewCo during the immediately preceding full calendar month under the terms of this Agreement, against which will be credited fees payable by NewCo over the thirty day period following such deposit. NewCo shall renew such deposit each thirty days in each case by reference to the fees paid by NewCo during the full calendar month immediately preceding any such renewal until such bankruptcy protection filing has been accepted by the bankruptcy court. For the avoidance of doubt, NewCo shall not be relieved of responsibility for, and shall pay when due, any fees for services hereunder during any such thirty day period to the extent in excess of the then actual deposit.

Article 8. Representations, Warranties and Covenants

8.1. Each Party hereby represents and warrants to the other Party that all of the statements contained in this Section 8.1 are true and correct with respect to such Party as of the Effective Date and at all times thereafter during the Term.

(a) Organization. Such Party is duly incorporated and validly existing under the laws of Korea and has full power and authority to perform its respective obligations herein.

(b) Authorization. Such Party has full corporate power and authority to execute and deliver this Agreement. The execution, delivery and performance by such Party of this Agreement have been duly authorized by all corporate actions on the part of such Party that are necessary to authorize the execution, delivery and performance by such Party of this Agreement.

(c) Binding Agreement. This Agreement has been duly executed and delivered by such Party and, assuming due and valid authorization, execution and delivery hereof by the other Party, is a valid and binding obligation of such Party, enforceable against such Party in accordance with its terms except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent

conveyance and other similar laws of general application affecting enforcement of creditors' rights generally and (ii) the availability of the remedy of injunctive relief may be subject to the discretion of the court before which any proceeding therefor may be brought or the general principle of good faith and fairness provided for in the Korean Civil Code.

(d) No Violation of Laws or Agreements. The execution, delivery and performance of this Agreement does not, (i) contravene any provision of the articles of incorporation or bylaws, or other similar organizational documents, of such Party; or (ii) violate, conflict with, result in a breach of, or constitute a default (or an event which might, with the passage of time or the giving of notice, or both, constitute a default) under any agreement to which such Party is a party or by which it is bound.

(e) Governmental Authorizations. Such Party has obtained all required Governmental Authorizations in connection with the supply of the Services.

8.2. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS AGREEMENT OR IN THE BTA, NEITHER PARTY NOR ANY OTHER PERSON OR ENTITY ACTING ON BEHALF OF SUCH PARTY, MAKES ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED (INCLUDING ANY REPRESENTATION OR WARRANTY FOR SUFFICIENCY, SATISFACTORY RESULT OR FITNESS FOR PARTICULAR PURPOSE WITH RESPECT TO THE SERVICES PROVIDED HEREUNDER).

8.3. Each Party covenants and agrees to endeavor to cooperate with the other Party so as to minimize any interference with the other Party's operation of its business.

Article 9. Force Majeure

9.1. Neither Party shall be liable to the other Party for failure of or delay in the performance of any obligations under this Agreement due to causes reasonably beyond its control including (i) war, insurrections, riots, explosions and inability to obtain raw materials due to then current market situations; (ii) natural disasters and acts of God, such as violent storms, earthquakes, floods and destruction by lightning; (iii) the intervention of any governmental authority or changes in relevant laws or regulations which restrict or prohibit either Party's performance of its obligations under this Agreement or implementation of this Agreement; or (iv) strikes, lock-outs and work-stoppages (each, an "Event of Force Majeure"). Upon the occurrence of an Event of Force Majeure, the affected Party shall notify the other Party as soon as reasonably possible of such occurrence, describing the nature of the Event of Force Majeure and the expected duration thereof. Notwithstanding the foregoing, the Party receiving Services hereunder shall be under a continuing obligation to make payments for such Services which have already been supplied to the Party prior to the occurrence of an Event of Force Majeure.

9.2. If a Party is unable, by reason of an Event of Force Majeure, to perform any of its obligations under this Agreement, then such obligations shall be suspended to the extent

and for the period that the affected Party is unable to perform. If this Agreement requires an obligation to be performed by a specified date, such date shall be extended for the period during which the relevant obligation is suspended due to such an Event of Force Majeure under this Agreement.

9.3. Notwithstanding anything to the contrary contained herein, a third party supplier's (including Third Party Suppliers) failure to meet its obligations in accordance with the applicable third party supplier agreement (including Third Party Supplier Agreements) shall not constitute an Event of Force Majeure and Hynix shall be liable to NewCo for any breach of this Agreement resulting from such failure; provided that any such liability to NewCo shall be limited to the extent that such third party supplier's liability to Hynix is limited under the applicable third party supplier agreement; provided, further, that any such liability to NewCo shall be limited to the amount that Hynix actually recovers from such third party supplier. In the case of a material breach by a third party supplier, and in the event that NewCo incurs Damages resulting from such breach of the applicable third party supplier agreement material to NewCo, Hynix shall use commercially reasonable efforts to vigorously pursue all available actions for Damage compensation from any such third party supplier. In the event Hynix receives any compensation for Damages from the third party supplier for any breach, Hynix shall pay to NewCo a pro rata portion of such Damages received from the third party supplier based on the amount of Damages suffered by NewCo relative to the aggregate amount of Damages suffered by both Parties. Each Party shall be responsible for a portion of the reasonable and documented expenses of any such actions for Damage compensation in proportion to the allocation of any recovery of Damages pursuant to the preceding sentence; provided that the Parties shall cooperate in good faith to minimize such expenses and consult with each other in advance with respect to the conduct of any such action.

9.4. To the extent that the Services affected due to a third party's failure to meet its obligations under the applicable third party supplier agreement are insufficient to meet NewCo's requirements for NewCo's use thereof in accordance with the terms and conditions hereof, Hynix shall (i) to the extent Hynix has alternative sources available internally, provide such alternate sources for the affected Services for the duration the Services are affected, (ii) to the extent that Hynix obtains any alternate sources for such Services, Hynix shall make available a pro-rata share of such alternate sources to NewCo, and (iii) if the foregoing are not available or are insufficient to meet NewCo's requirements, Hynix shall cooperate with NewCo to locate alternate sources for such Services. To the extent the foregoing alternate sources are provided by Hynix, there shall be no incremental cost or expense to NewCo. To the extent the foregoing alternate sources are provided by third parties, NewCo shall bear the actual costs of the services it uses. To the extent that any service which both Parties utilize for their respective businesses remains partially available during an Event of Force Majeure (e.g., Hynix makes some quantity of service available but not the usual amount or Hynix otherwise accesses an alternative source of some quantity of service), each Party shall receive, to the extent practically possible, equal provision of such service up to the amount it would otherwise receive if there were no Event of Force Majeure.

Article 10. Termination; Effect of Termination

10.1. Termination. This Agreement may be terminated at any time during the Term upon occurrence of any of the following:

(a) by the non-breaching Party serving a written notice thereof to the other Party and the Coordinating Committee in the event of a material breach or default by the other Party of its obligations hereunder, which default shall not have been cured by other Party, or otherwise resolved by the Coordinating Committee, within sixty (60) days after written notice is provided by the non-breaching Party to the other Party and the Coordinating Committee; or

(b) by Hynix's serving sixty (60) days prior written notice thereof to NewCo if NewCo ceases to conduct any Permitted Business (provided that an assignment pursuant to Article 13 shall not trigger the application of this provision in so far as such assignee does not cease to conduct any Permitted Business).

10.2. Upon termination of this Agreement, each Party shall discontinue the use of all Confidential Information provided by the other Party in connection with this Agreement, and shall promptly return to the other Party any and all Confidential Information, including documents originally conveyed to it by the other Party and any copies thereof made thereafter.

10.3. Except as provided in this Section 10.3 and Section 10.4, following the termination or expiration of this Agreement all obligations and liabilities of the Parties under or arising from this Agreement shall cease and be of no effect, and neither Party shall have any liability under or arising from this Agreement as a consequence of the termination or expiration of this Agreement in accordance with Section 10.1 except for fraud or willful breach of this Agreement. Notwithstanding the foregoing, termination of this Agreement shall be without prejudice to the accrued rights and liabilities of the Parties prior to the termination of this Agreement.

10.4. The respective rights and obligations of the Parties under Sections 3.9, 3.10 and 3.11 and Articles 11, 14 and 15 and other Sections which by their nature are intended to extend beyond termination, shall survive the termination or expiry of this Agreement.

Article 11. Indemnification

11.1. Subject to Article 12 hereof, each Party (the "Indemnifying Party") shall defend, indemnify and hold harmless the other Party (and its shareholders, partners, members, directors, officers, employees, agents and representatives) (collectively, the "Indemnified Party") from and against, and shall pay to the Indemnified Party the amount of any Damages arising from any breach of any representation, warranty, agreement or covenant made by the Indemnifying Party under this Agreement or the negligence, gross negligence or willful misconduct of the Indemnifying Party.

Article 12. Limitation on Liability

12.1. Notwithstanding anything to the contrary herein, neither Party shall have any liability whatsoever to the other Party, and the other Party shall have no rights or remedies whatsoever (in each case whether in contract, tort, including negligence, or otherwise), for or in connection with any failure to provide (a) any Services in accordance with this Agreement to the extent such failure is attributable to the occurrence of an Event of Force Majeure or (b) electricity, except to the extent such failure is attributable to the Party's gross negligence, willful misconduct or intentional breach.

12.2. Notwithstanding anything to the contrary, no Party shall be liable to the other Party, whether by way of indemnity or otherwise, for any punitive damages, whether any such damages arise out of contract, equity, tort (including negligence), strict liability or otherwise arising out of, or related to, this Agreement and each Party hereby waives, to the fullest extent permitted by law, all rights with respect to punitive damages.

12.3. Notwithstanding anything to the contrary contained herein, the liability of each Party (the "Breaching Party") hereunder for Damages resulting from the Breaching Party's breach of this Agreement or its negligence, gross negligence or willful misconduct shall be limited to (a) in the event that the Breaching Party proves that such breach was the result of the negligence of the Breaching Party and no other reason or, in the case of a tort claim, the Indemnifying Party proves that such Damages resulted from the negligence of the Indemnifying Party and no other reason, the aggregate amount received by the Breaching Party in fees hereunder for the calendar year prior to the year of determination for the Service affected by such breach and (b) in all other events, including if the breach was the result of gross negligence, willful misconduct or intentional breach, the maximum amount permitted by Korean law.

12.4. If any Indemnified Party is at any time entitled to recover under any third-party policy of insurance (excluding any self-insurance that is not reinsured with a third party), in respect of any Damages for which indemnification is sought under Article 11, the Indemnified Party shall, at the request of the Indemnifying Party, use its commercially reasonable efforts to enforce such recovery for the benefit of the Indemnifying Party and, upon recovery under such policy, reduce the amount of Damages for which it is seeking indemnification under Article 11 by the amount actually recovered under the policy (net of all costs, charges and expenses of the Indemnified Party in connection with such recovery).

12.5. Each Party shall subscribe for and maintain in effect, at its own expense, such insurance covering the Damages incurred from any electricity failure, with such amounts and other terms as a reasonably prudent business would maintain under like circumstances.

Article 13. Assignment

13.1. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns; provided, however, that no Party will assign its rights or delegate its obligations under this Agreement without the express prior

written consent of the other Party, except that (i) NewCo may assign its rights hereunder as collateral security to any bona fide financial institution engaged in financing in the ordinary course providing financing to the Warrant Issuer or its Subsidiaries and any of the foregoing financial institutions may assign such rights in connection with a sale of NewCo in the form then being conducted by NewCo substantially as an entirety; (ii) Hynix and NewCo each may, upon written notice to the other Party (but without the obligation to obtain the consent of such other Party), assign this Agreement or any of its rights and obligations under this Agreement to any person, entity or organization that succeeds (by purchase, merger, operation of law or otherwise) to all or substantially all of the capital stock, assets or business of such party, to all or substantially all of its assets and liabilities or to all or substantially all of the assets and liabilities of the portion of the Party's business to which the subject of this Agreement relates or of a division of the Party, if such person or entity agrees in writing to assume and be bound by all of the relevant obligations of such Party under this Agreement; and (iii) NewCo may, upon written notice to Hynix (but without the obligation to obtain the consent of Hynix), assign this Agreement or any of its rights and obligations under this Agreement to one or more direct or indirect Subsidiaries of Warrant Issuer.

13.2. Notwithstanding anything to the contrary contained herein, Hynix may be entitled to utilize any subcontractor or supplementary provider in performing all or any parts of its obligations under this Agreement without any prior written consent of NewCo; provided that Hynix remains liable under this Agreement for the performance of all of its obligations.

Article 14. Governing Law; Dispute Resolution

14.1. This Agreement shall be governed by and construed in accordance with the laws of Korea without reference to the choice of law principles thereof.

14.2. Each Party seeking the resolution of a dispute arising under this Agreement must provide written notice of such dispute to the other Party, which notice shall describe the nature of such dispute. All such disputes shall be referred initially to the Coordinating Committee for resolution. Decisions of the Coordinating Committee under this Section 14.2 shall be made by unanimous vote of all members and shall be final and legally binding on the Parties. If a dispute is resolved by the Coordinating Committee, then the terms of the resolution and settlement of such dispute shall be set forth in writing and signed by both Parties. In the event that the Coordinating Committee does not resolve a dispute within thirty (30) days of the submission thereof, such dispute shall be resolved in accordance with Section 14.3. Notwithstanding the foregoing, Hynix and NewCo shall each continue to perform its obligations under this Agreement during the pendency of such dispute in accordance with this Agreement.

14.3. The Parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to an injunction to prevent any breach of this Agreement and to enforce specifically the terms and provisions of this Agreement by bringing a relevant action in the Seoul Central

District Court in Seoul, Korea, in addition to any other remedy to which any Party may be entitled at law or in equity. In addition, the Parties agree that any dispute, claims or controversy between the Parties arising out of or relating to this Agreement, whether in contract, tort, equity or otherwise and whether relating to the meaning, interpretation, effect, validity, performance or enforcement of this Agreement, which is not resolved by the Coordinating Committee pursuant to Section 14.2 may be submitted to the exclusive jurisdiction of the Seoul Central District Court, in Seoul, Korea. Each of the Parties irrevocably waives, to the fullest extent permitted by law, any objection which it may now, or hereafter, have with respect to the jurisdiction of, or the venue in, the Seoul Central District Court.

Article 15. Confidentiality

15.1. Neither Party shall, except as expressly permitted by the terms of this Agreement, disclose to any third party the terms and conditions of this Agreement, the existence of this Agreement and any Confidential Information which either Party obtains from the other Party in connection with this Agreement and/or use such Confidential Information for any purposes whatsoever other than those contemplated hereunder; provided, however, that this Agreement (and its terms and conditions) may be disclosed and filed publicly in connection with a public offering of securities by NewCo or its Affiliates. “Confidential Information” shall mean any and all information including technical data, trade secrets or know-how, disclosed by either Party to the other Party in connection with this Agreement, which is marked as “Proprietary” or “Confidential” or is declared by the other Party, whether in writing or orally, to be confidential, or which by its nature would reasonably be considered confidential.

15.2. The obligation of confidentiality in Section 15.1 shall not apply to any information that: (a) was known to the other Party without an obligation of confidentiality prior to its receipt thereof from the disclosing Party; (b) is or becomes generally available to the public without breach of this Agreement, other than as a result of a disclosure by the recipient Party, its representatives, its Affiliates or the representatives of its Affiliates in violation of this Agreement; (c) is rightfully received from a third party with the authority to disclose without obligation of confidentiality and without breach of this Agreement; or (d) is required by law or regulation to be disclosed by a recipient Party or its representatives (including by oral question, interrogatory, subpoena, civil investigative demand or similar process), provided that written notice of any such disclosure shall be provided to the disclosing Party in advance. If a Party determines that it is required to disclose any information pursuant to applicable law (including the requirements of any law, rule or regulation in connection with a public offering of securities by NewCo or its Affiliates) or receives any demand under lawful process to disclose or provide information of the other Party that is subject to the confidentiality provisions hereof, such Party shall notify the other Party prior to disclosing and providing such information and shall cooperate at the expense of the requesting Party in seeking any reasonable protective arrangements requested by such other Party. Subject to the foregoing, the Party that receives such request may thereafter disclose or provide information to the extent required by such law or by lawful process.

Article 16. Miscellaneous

16.1. Exercise of Right. A Party may exercise a right, power or remedy at its discretion, and separately or concurrently with another right, power or remedy. A single or partial exercise of a right, power or remedy by a Party does not prevent a further exercise of that or of any other right, power or remedy. A failure to exercise a right, power or remedy or a delay in exercising a right, power or remedy by a Party does not prevent such Party from exercising the same right thereafter.

16.2. Extension; Waiver. At any time during the Term, each of Hynix and NewCo may (a) extend the time for the performance of any of the obligations or other acts of the other or (b) waive any inaccuracies in the representations and warranties of the other contained in this Agreement or in any document delivered pursuant to this Agreement. Any agreement on the part of a Party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such Party. The failure of any Party to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of those rights. Any rights under this Agreement may not be waived except in writing signed by the Party granting the waiver or varied except in writing signed by the Parties.

16.3. Notices. Any notice, request, demand, waiver, consent, approval or other communication which is required or permitted to be given to any Party shall be in writing and shall be deemed duly given only upon delivery to the Party personally (including by reputable overnight courier service), when telecopied (with confirmation of transmission having been received) during normal business hours or three days after being mailed by registered or certified mail (return receipt requested), with postage and registration or certification fees thereon prepaid, addressed to the Party at its address set forth below (or at such other address for a party as shall be specified by such Party by like notice):

If to Hynix, to:

Hynix Semiconductor Inc.
Hynix Youngdong Building
891 Daechi-dong, Gangnam-gu
Seoul 135-738, Korea
Attention: Mr. O.C. Kwon
Facsimile: 82-2-3459-5955

If to NewCo, to:

MagnaChip Semiconductor, Ltd.
1 Hyangjeong-dong
Heungduk-gu
Cheongju City
Chung Cheong Bok-do, Korea
Facsimile: 82-43-270-2134
Attention: Dr. Youm Huh

with a copy to:

Dechert LLP
30 Rockefeller Plaza
New York, NY 10112
Telephone: (212) 698-3500
Facsimile: (212) 698-3599
Attention: Geraldine A. Sinatra, Esq.
Sang H. Park, Esq.

16.4. Fees and Expenses. All costs and expenses incurred in connection with this Agreement shall be paid by the Party incurring such expenses, except as specifically provided to the contrary in this Agreement.

16.5. Entirety; No Third Party Beneficiaries. This Agreement (a) constitutes the entire agreement between the Parties and supersedes all prior agreements and understandings, both written or oral, between the Parties with respect to the subject matter hereof and (b) is not intended to confer upon any person other than the Parties hereto any rights or remedies hereunder.

16.6. Severability of Provisions. Any term or provision of this Agreement that is held by a court of competent jurisdiction or other authority to be unlawful, invalid, void or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If the final judgment of a court of competent jurisdiction or other authority declares that any term or provision hereof is unlawful, invalid, void or unenforceable, the Parties agree that the court making such determination shall have the power to reduce the scope, duration, area or applicability of the term or provision, to delete specific words or phrases, or to replace any unlawful, invalid, void or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the unlawful, invalid or unenforceable term or provision.

16.7. Amendment and Modification. This Agreement (for the avoidance of doubt, including Exhibits attached hereto) may be amended, modified and supplemented in any and all respects, but only by a written instrument signed by the Parties expressly stating that such instrument is intended to amend, modify or supplement this Agreement.

16.8. Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement.

16.9. Election of Remedies. Neither the exercise of nor the failure to exercise a right or to give notice of a claim under this Agreement shall constitute an election of remedies or limit any Party in any manner in the enforcement of any other remedies that may be available to such Party, whether at law or in equity.

16.10. Language. This Agreement is being originally executed in the English language only. In the event that the Parties agree to have a Korean version of this Agreement following

signing, this Agreement may be translated into Korean. The Parties acknowledge that the Korean version of this Agreement shall be for reference purposes only, and in the event of any inconsistency between the two texts, the English version shall control.

16.11. Relationship of the Parties. Each Party shall perform its obligations hereunder as an independent contractor. This Agreement does not create a fiduciary or agency relationship between Hynix and NewCo, each of which shall be and at all times remain independent companies for all purposes hereunder. Nothing in this Agreement is intended to make either Party a general or special agent, joint venturer, partner or employee of the other for any purpose.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed by its duly authorized representatives as of the date first above written.

Hynix Semiconductor Inc.

By: _____
Name:
Title:

MagnaChip Semiconductor, Ltd.

By: _____
Name:
Title:

FIRST AMENDMENT TO GENERAL SERVICE SUPPLY AGREEMENT

This First Amendment to General Service Supply Agreement (this "Amendment") is entered into as of December 30, 2005 by and between Hynix Semiconductor, Inc. ("Hynix") and MagnaChip Semiconductor Ltd. ("NewCo") (each a "Party", and collectively the "Parties").

WHEREAS, the Parties are parties to that certain General Service Supply Agreement dated as of October 6, 2004 (the "Agreement"), and wish to amend the Agreement as set forth below.

NOW, THEREFORE, the Parties agree as follows:

1. Section 1.1 is hereby amended by adding the following thereto in the appropriate alphabetical order :

   "Mask Shop Chemicals and Gases Procurement Services" shall mean the provision by NewCo to Hynix with such quantities of the chemicals (including TMAH2.38, Thinner, HMDS, H2SO4, H2O2, NH4OH and IPA) and gases (including CI2, CF4, CHF3, SF6, HCI, F2/Kr/Ne, Kr/Ne) (collectively, the "Chemicals and Gases") required for Hynix's mask production lines installed in C1 and C2 buildings as are requested by Hynix from time to time."

2. Section 1.1 is hereby amended by deleting the defined term "Services" and replacing such defined term with the following:

   "Services" shall mean such services related to goods, facilities and utilities which are required or desirable for transition, setting-up or continuing operation of the applicable Party's business and consisting of each of the services constituting the Vivendi Services, Hynix Utilities and Infrastructure Support Services, NewCo Utilities and Infrastructure Support Services, Welfare Facility Services, Environmental Safety & Facility Monitoring Services, Mask Services, CAO Operation Support Services, Chemical Procurement Services, Mask Shop Chemicals and Gases Procurement Services , Joint Purchasing Services and the other services described herein."

3. Section 2.6 is hereby amended and restated in its entirety as follows:

"Each of the NewCo Utilities and Infrastructure Support Services and Mask Shop Chemicals and Gases Procurement Services shall be provided for the Initial Service Period and for successive additional one (1)-year periods, unless Hynix notifies NewCo in writing of its desire not to renew the provision of such Services at least sixty (60) days prior to the expiration of the Initial Service Period or any annual anniversary thereof or such Services are earlier terminated pursuant to this Agreement."

4. Section 3.1 is hereby amended by deleting the second sentence thereof in its entirety and by adding the following sentence to the end of such section:

"NewCo shall provide Hynix with the NewCo Utilities and Infrastructure Support Services and Mask Shop Chemicals and Gases Procurement Services, and Hynix shall receive such Services from NewCo, for the periods determined in accordance with Article 2."

5. Appendix A hereto shall be added as Exhibit H of the Agreement and Section 3.3 is hereby amended by deleting the first sentence thereof in its entirety and by adding the following sentence to the beginning of such section:

"The fees for the Environmental Safety & Facility Monitoring Services, Hynix Utilities and Infrastructure Support Services, NewCo Utilities and Infrastructure Support Services, Welfare Facility Services, Chemical Procurement Services and Mask Shop Chemicals and Gases Procurement Services shall be determined in accordance with Exhibits B, C.1, C.2, E, F and H, respectively."

6. Section 7.1 is hereby amended and restated in its entirety as follows:

"Hynix shall invoice NewCo on the last day (except that for the Vivendi Services this shall be the fourteenth (14^{th}) day, until the expiration and/or termination of the Vivendi Water and Wastewater Service Agreement) of each calendar month for the fees for the Environmental Safety & Facility Monitoring Services, Hynix Utilities and Infrastructure Support Services (except for the fees for electricity (substation of the Korea Electric Power Corporation), water and fuel, which will be invoiced as set forth in the third sentence of this Section 7.1),

Vivendi Services, Welfare Facility Services and Chemical Procurement Services, provided during such calendar month specifying the Services provided during that month and the amount of fees for such Services calculated in accordance with Exhibits B, C.1, D, E and F, respectively, and Article 3. By the twenty-fifth (25th) day of the next calendar month following the invoice (except with respect to the Vivendi Services for which the due date will be the twenty-fourth (24th) day of the invoiced calendar month, until the expiration and/or termination of the Vivendi Water and Wastewater Service Agreement), NewCo shall pay the invoiced amount and value added tax thereto to Hynix's designated account by means of a wire transfer in cash. In addition, by the fifth (5th) day prior to the due date for the fees for electricity (substation of the Korea Electric Power Corporation), water and fuel supplied by Hynix to NewCo as part of the Hynix Utilities and Infrastructure Support Services as such due date is set forth on the relevant invoice therefore, Hynix shall invoice NewCo for the fees for such Services in the amounts for which such fees are set forth on the relevant invoice issued by relevant agencies and NewCo shall pay such invoiced amount and value added tax thereto to Hynix's designated account by means of a wire transfer in cash by one (1) Business Day prior to such due date."

7. Section 7.2 is hereby amended and restated in its entirety as follows:

"NewCo shall invoice Hynix on the last day of each calendar month for the fees for the NewCo Utilities and Infrastructure Support Services and Mask Shop Chemicals and Gases Procurement Services provided during such calendar month specifying the Services provided during that month and the amount of fees for such Services calculated in accordance with Exhibits C.2 and H, respectively. By the twenty-fifth (25th) day of the next calendar month following the invoice, Hynix shall pay the invoiced amount and value added tax thereto to NewCo's designated account by means of a wire transfer in cash."

8. The “Variable Overhead Cost” definition in Exhibit E.1 is hereby amended and restated as follows:

“Variable Overhead Cost”	means, for any applicable Service item (reserve troops; company broadcasting station; Hynix Culture Center; men’s dormitory; women’s dormitory; Bongmyung dormitory; and sports field), the amount of those relatively variable overhead costs (costs which fluctuate heavily from month to month) which have been historically allocated in connection with the provision of such Service item and which were actually incurred by Hynix in providing such Service item for the month of calculation

9. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Agreement.

10. Wherever necessary, all terms of the Agreement are hereby amended to be consistent with the terms of this Amendment. Except as set forth herein, the Agreement remains in full force and effect according to its terms.

11. Articles 1 through 7 of this Amendment shall become effective from the 6th of October, 2004 and Article 8 of this Amendment shall become effective from the 1st of April, 2005.

12. This Amendment shall be governed by, and shall be construed in accordance with, the laws of Korea.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have caused their duly authorized representatives to execute this Amendment as of the date first set forth above.

MagnaChip Semiconductor, Ltd.

By: _____
Name: Youm Huh
Title: President & Chief Executive Officer

Hynix Semiconductor, Inc.

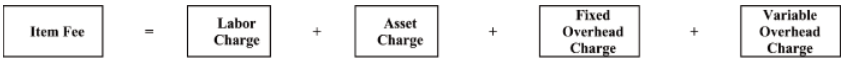
By: _____
Name:
Title:

APPENDIX A

Exhibit H

MASK SHOP CHEMICALS AND GASES PROCUREMENT SERVICES FEES

The total monthly fee for the Mask Shop Chemicals and Gases Procurement Services equal the fee calculated in accordance with the following formula:



The following terms apply to this formula:

"Labor Charge"	means the sum of the products of (i) the Labor Cost for each NewCo employee providing the applicable Service to Hynix multiplied by (ii) the Labor Contribution Rate for such employee
"Labor Cost"	means, for any NewCo employee, average monthly (i) salary plus (ii) amount of reserve for retirement allowances plus (iii) amount of Fringe Benefits for such employee, over the Standard Calculation Period.
"Labor Contribution Rate"	means, for any NewCo employee, the percentage of the Labor Cost for such employee allocated to Hynix (other than the Business) for the Standard Calculation Period, which such percentage is based upon the AUP and takes into account (in a manner consistent with historical practice) such factors as ratio of time spent on activities for the benefit of Hynix (other than the Business), the relative importance of such activities and the other factors historically taken into account
"Fringe Benefits"	means, for any NewCo employee, the fringe benefits provided to such employee in accordance with past practice
"Standard Calculation Period"	means the second calendar year prior to the year of calculation, with respect to calculations made for the first three months of any calendar year, and the calendar year immediately prior to the year of calculation, with respect to calculations made for the last nine months of any calendar year — e.g., the calculations for January through March of 2005 will be based on calendar year 2003, while the calculations for April through December 2005 will be based on calendar year 2004

“Asset Charge”	means the sum of the products of (i) the Asset Cost for each NewCo asset used to provide the applicable Service to Hynix multiplied by (ii) the Asset Contribution Rate for such asset
“Asset Cost”	means, for any asset, one twelfth of the sum of (i) depreciation expense plus (ii) the product of Book Value multiplied by 8%, allocated to such asset in accordance with the AUP for the Standard Calculation Period
“Asset Contribution Rate”	means, for any asset, a fraction the numerator of which equals the quantity of the Chemical produced by NewCo for Hynix (other than the Business) for the Standard Calculation Period and the denominator of which equals the total quantity of the Chemical produced by NewCo for the Standard Calculation Period
“Book Value”	means, for any asset, the value of such asset on the books of NewCo as of the last day of the Standard Calculation Period, as may be adjusted from time to time (a) as a result of the installation of capital improvements or the incurrence of capital expenditures, as determined in accordance with Korea generally accepted accounting principles, or (b) as a result of a revaluation as may be permitted by law
“Fixed Overhead Charge”	means the sum of the products of (i) the Fixed Overhead Cost for each NewCo employee providing the Service to Hynix multiplied by (ii) the Fixed Overhead Contribution Rate for such employee
“Fixed Overhead Cost”	means, for any employee, the amount equal to one-twelfth of the product of (i) those relatively fixed overhead costs (those that do not fluctuate much from month to month) which have been historically allocated in connection with the provision of the Service and which were actually incurred by NewCo (or the Business) in providing the Service in the Standard Calculation Period multiplied by (ii) the percentage of such costs historically allocated to such employee in connection with providing the Service
“Fixed Overhead Contribution Rate”	means, for any employee, the Labor Contribution Rate for such employee

“Variable Overhead Charge”	means the sum of the product of (i) the Variable Overhead Cost multiplied by (ii) the Variable Overhead Contribution Rate
“Variable Overhead Cost”	means the amount of those relatively variable overhead costs (costs which fluctuate heavily from month to month) which have been historically allocated in connection with the provision of the Service and which were actually incurred by NewCo in providing the Service for the month of calculation
“Variable Overhead Contribution Rate”	means, for Variable Overhead Cost arising from (i) the raw chemicals and gases used to produce the Chemicals and Gases, a fraction, the numerator of which equals the quantity of the raw chemicals and gases purchased by NewCo to provide the Service to Hynix for the month of calculation and the denominator of which equals the total quantity of the raw chemicals and gases purchased by NewCo for the month of calculation, (ii) costs to repair the assets used to produce the Chemicals and Gases, a fraction, the numerator of which equals the quantity of the Chemicals and Gases delivered to Hynix hereunder for the month of calculation and the denominator of which equals the total quantity of the Chemicals and Gases produced by NewCo for the month of calculation and (iii) temporary workers used to produce the Chemicals and Gases, a fraction, the numerator of which equals the number of hours such workers worked to provide the Service to Hynix for the month of calculation and the denominator of which equals the total number of hours worked by such temporary workers to provide the Chemicals and Gases to NewCo and Hynix for the month of calculation

LICENSE AGREEMENT
(ModularBCD)

DATED March 18, 2005

BETWEEN

ADVANCED ANALOGIC TECHNOLOGIES INC.

AND

MAGNACHIP SEMICONDUCTOR, LTD.

[*****] - Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

LICENSE AGREEMENT
(ModularBCD)

This agreement (the "**Agreement**") is made effective as of March 18, 2005, by and between Advanced Analogic Technologies Inc., a California corporation with its principal place of business located at 830 E. Arques Ave, Sunnyvale California 94085 (hereafter called "**AATI**") and MagnaChip Semiconductor, Ltd. with its principal place of business located at 1, Hyangjeong-dong, Hungduk-gu, Cheongju-si, Chungbuk, South Korea (hereafter called "**MAGNACHIP**").

RECITALS

WHEREAS, AATI and/or its affiliates own certain technology related to ModularBCD Technology (as defined below), and

WHEREAS, MAGNACHIP wishes to obtain a license to certain technology of AATI, and AATI has agreed to license such technology pursuant to the terms and conditions set forth herein, including a use restriction, and

WHEREAS, AATI wishes to provide for the manufacture, assembly, test and delivery of certain products (defined below)**,** and MAGNACHIP has agreed to undertake such obligations pursuant to the terms and conditions set forth in the Wafer Supply Agreement dated June 4, 2002 ("**Wafer Agreement**"), as those terms and conditions are amended by an Amendment effective on the Effective Date hereof.

NOW, THEREFORE, the MAGNACHIP and AATI agree as follows:

AGREEMENT

1. DEFINITIONS. The following terms will have the meanings attributed thereto, unless otherwise provided herein:

1.1 "**AATI Field**" means the design, manufacturing, testing, sale, offer for sale, or distribution of Products, which are using AATI ModularBCD Technology described hereunder.

1.2 "**AATI Improvements**" shall have the meaning attributed thereto in Section 3.3.

1.3 "**AATI Intellectual Property**" means those Intellectual Property Rights that AATI owns or has a right to license consistent with the scope of the license hereunder.

1.4 "**AATI Licensed Products**" means those AATI Products whose manufacture includes the use of MAGNACHIP Technology.

1.5 "**AATI Products**" means those Low-Voltage Power Management Products of AATI, including, but not limited to, those identified on **Exhibit A**, as may be amended by AATI from time to time.

1.6 "**AATI IC Technology**" means the designs, technology and other information provided by AATI to MAGNACHIP related to ModularBCD Technology and related device and processing under this

Agreement. **AATI IC Technology** includes the processes, methods, devices and apparatus described in the United States and foreign patent and patent applications listed on **Exhibit B** along with any improvements, derivatives, continuation patents, foreign filings, continuation in part (CIP) applications, and all work by AATI or its employees related to ModularBCD Technology preceding said applications (dating back to September 1998) continuing through the term of this Agreement. AATI IC Technology also includes the features, devices, processes, apparatus and methods identified in **Exhibit C** and protected by the Patents in Exhibit B. For purposes of clarity and notwithstanding the above definition of **AATI IC Technology**, **AATI IC Technology** does not include discrete trench-gated vertical power MOSFETs and AATI's proprietary TrenchDMOS Technology used to produce discrete vertical power MOSFETs, circuit designs, packaging technology, the multi-chip combination of TrenchDMOS or discrete transistors with integrated circuits containing ModularBCD Technology or other integrated circuits, and other related designs, technologies and information.

1.7 "**Basic Semiconductor Technology**" means designs, technology and other information used to design, manufacture and test semiconductors, including etching, depositions, diffusion, cleaning, photolithography, and other semiconductor processes or sequences (such as LOCOS). **Basic Semiconductor Technology** ***does not include*** process architecture or the process integration (and resulting process flow) of an integrated process such as ModularBCD Technology. It also does not include "specialized" unit process steps such as directionally deposited oxides, chained and non-Gaussian implants, etc.

1.8 "**Battery Management**" means a Low-Voltage Power Management Products comprising any device or solution that manages battery performance, including controls the charging and discharging of batteries, electrochemical cells, and fuel cells. **Battery Management** includes battery charger circuits, protection of LiIon or Lithium polymer batteries from potentially damaging overcharged and over-discharged conditions, the multiplexing and sequencing of different batteries in multi-battery systems (e.g. in notebook computers), and voltage clamping to limit the maximum voltage output from a charger circuit. **Battery Management** functions typically include sensing the battery's condition (voltage, temperature, total coulombs) and interrupting or permitting current flow (switching).

1.9 "**Competing Products**" means products that compete with the AATI Products after the date of this Agreement. If any portion of a Product includes or integrates the functions of a Competing Product, then such product is a "**Competing Product**."

1.10 "**Confidential Information**" means any information disclosed by either Party (the "**Disclosing Party**") to the other Party (the "**Receiving Party**") under this Agreement, either directly or indirectly, in writing, orally or by inspection of tangible objects (including without limitation documents, prototypes, samples and equipment), which is designated as "Confidential," "Proprietary" or some similar designation. Information communicated orally or through inspection shall be considered **Confidential Information** if such information is confirmed in writing as being Confidential Information within a reasonable time after the initial disclosure. **Confidential Information** may also include information disclosed to a Disclosing Party by Third Parties. Notwithstanding any designation of "Confidential", **Confidential Information** includes the AATI IC Technology.

1.11 "**Effective Date**" means the date at which this Agreement is signed by both Parties.

1.12 "**Facility**" means the MAGNACHIP-owned wafer fabrication facility located in Gumi, Korea and Cheong-ju, Korea or such other MAGNACHIP-owned facility that the Parties may agree upon in writing.

1.13 "**MAGNACHIP Field**" means Basic Semiconductor Technology, along with the design, manufacture, test, and sales of products not related to analog semiconductors, power semiconductors, or the AATI Field (such as memory ICs, digital ICs, displays, sensors, and other non-analog non-power semiconductor products).

1.14 "**MAGNACHIP Licensed Products**" means Non-Competing Products of MAGNACHIP, i.e. Non-Competing Products marketed and sold under a MAGNACHIP-owned brand or sold by MAGNACHIP to a Third Party as wafer sales, die sales or finished good sales through MAGNACHIP's foundry services business that include, employ or rely upon AATI IC Technology.

1.15 "**MAGNACHIP Improvements**" shall have the meaning attributed thereto in Section 3.3.

1.16 "**MAGNACHIP Intellectual Property**" means those Intellectual Property Rights that MAGNACHIP owns or has a right to license consistent with the scope of the license hereunder.

1.17 "**MAGNACHIP Technology**" means the Basic Semiconductor Technology, and technology *not related* to analog and power semiconductor manufacture such as memory IC and digital IC processes, provided by MAGNACHIP to AATI.

1.18 "**Intellectual Property Rights**" means any intellectual property right existing now or during the term of this Agreement recognized throughout the world, including without limitation copyright, maskwork rights, patent rights, trade secrets and know-how. For the purposes of this Agreement, "**Intellectual Property Rights**" excludes trademarks, service marks and domain names.

1.19 "**Improvements**" means all copyrightable material, notes, records, drawings, designs, inventions, patents, improvements, developments, discoveries and trade secrets first conceived, made or discovered by a Party during the period of this Agreement which relate in any manner to, or are derived from, the AATI IC Technology, the MAGNACHIP Technology or Confidential Information licensed or provided hereunder, including any enhancements, modifications or derivations thereto.

1.20 "**Joint Improvements**" shall have the meaning attributed thereto in Section 3.3.

1.21 "**Load Switching and Power Supervision**" involves Low-Voltage Power Management Products which shuts-off or limits loads to save power when the load is not in use (load switching) or to supervise power by sensing when an adequate power supply condition is reached (voltage monitoring as a power good indicator), including the sequencing of multiple power supplies. Voltage references, along with voltage detectors and microprocessor reset ICs are considered as power supervision type products. Some load switching functions may include slow-turn-on to limit in-rush current (and over-current) or over-temperature protection to prevent damage during a shorted load condition.

1.22 "**Low-Voltage Power Management Products**" means those products that have low- voltage power management characteristics. For the purpose of this Agreement, "**Low-Voltage**" shall be defined as semiconductor components rated at *35 volts or less*. "**Power Management Products**" include the following semiconductor components: (1) Integrated Circuits, (2) Power Integrated Circuits, (3) Discrete Power MOSFETs, (4) Intelligent and Application-Specific Power MOSFETs, and (5) Multi-chip Combinations of ICs and Power MOSFETs which include any Product controlling the flow of power in the

following broadly defined functions: (1) Port Protection, (2) Battery Management, (3) Load Switching & Power Supervision, and/or (4) Voltage Regulation & DC/DC Conversion.

1.23 "**Other Technology**" means all designs, technology and information other than AATI IC Technology are beyond the scope of this Agreement. Other Technology includes, without limitation, TrenchDMOS Technology (as defined in the License Agreement (TrenchDMOS) between AATI and MAGNACHIP of even date with this Agreement.

1.24 "**Port Protection**" means Low-Voltage Power Management Products having functions that include limiting current, clamping voltage, providing ESD protection, facilitating over-temperature protection, and preventing operation during under-voltage or shorted-load conditions. **Port Protection** includes protecting any input or output pin (or connector) from damage, especially during the connection or disconnection of components while power is available at the connector (hot plugging) such as PC Cards (PCMCIA), Universal Serial Bus (USB), IEEE1394 (FireWire), Bluetooth, camera modules, external peripherals, and PCB (printed circuit board) hot plugging. **Port Protection** may also include protocol-specific functions such as sensing of the port condition, power supply voltage sequencing, noise suppression between loads, and in-rush induced noise spikes. Port Protection may also include supplying power to a port (such as USB on-the-go) or by driving an external load (such as a speaker in a class D audio output).

1.25 "**ModularBCD Technology**" means that technology related to the fabrication of electronic devices and semiconductor integrated circuits capable of monolithically integrating fully-isolated devices without the need for epitaxial layers or high-thermal-budget processing (including long or high-temperature diffusions, deep diffusions, or any processes that substantially redistribute dopant profiles from their *as-implanted* distributions through thermal diffusion). **ModularBCD Technology** is distinguished by its extensive use of high-energy ion implantation methods (including multi-energy chained-implants) to form and isolate any and various combinations of electronic devices including N-channel and P-channel MOSFETs (i.e. CMOS), NPN and PNP bipolar transistors (i.e. complementary bipolars), DMOS (double-junction) transistors, lateral and quasi-vertical *trench-gated* power MOSFET devices, along with on-chip passives (such as high-sheet-resistance resistors and poly-to-poly capacitors). Isolation of components is achieved using deeply-implanted junctions without requiring epitaxy, isolation diffusions, trench isolation, or SOI (silicon-on-insulator) materials. **ModularBCD Technology** can also be characterized by its *multi-voltage* capability whereby components and circuitry operating at different voltages can be integrated and isolated with little or no interaction among the differing voltage components, and with no substantial area penalty for mixing voltages within the integrated circuit. **ModularBCD Technology** includes but is not limited to the processes, methods, devices and apparatus described in United States and foreign Patent and Patent applications listed in **Exhibit B** along with any improvements, derivatives, continuation patents, foreign filings, continuation in part (CIP) applications, and all work by AATI or its employees related to ModularBCD Technology preceding said applications (dating back to September 1998) continuing through the term of this Agreement. **ModularBCD Technology** features includes but is not limited to the features, device structures, apparatus and fabrication methods listed in **Exhibit C** and protected by the Patents in Exhibit B.

1.26 "**Net Sales**" means the gross selling die or wafer price (depending on how such is sold) invoiced by MAGNACHIP, its affiliates and authorized manufacturers on sales or other dispositions of MAGNACHIP Licensed Products, less the following items to the extent they are included in such gross revenues and separately stated on the invoice: (i) normal and customary rebates, refunds and discounts actually given by seller, (ii) insurance, transportation and other delivery charges actually paid by seller, (iii) sales, excise, value-added and other taxes, (iv) testing and packaging costs and (v) wafer thinning, and other

outside expenses incurred in manufacturing, but not included in the Projected Wafer Costs. Sales between MAGNACHIP, its affiliates and authorized manufacturers shall not be included in Net Sales (but sales or other dispositions by MAGNACHIP, its affiliates and authorized manufacturers to third parties shall be counted as Net Sales). If any MAGNACHIP Licensed Products are sold or transferred in whole or in part for consideration other than cash, Net Sales shall include the fair market value of such MAGNACHIP Licensed Product. For purposes of this definition of **Net Sales**, "authorized manufacturer" means any entity (other than a MAGNACHIP affiliate) that manufacturers (including any assembly and packaging of MAGNACHIP Licensed Products) and sells MAGNACHIP Licensed Products under authority, directly or indirectly, from MAGNACHIP.

1.27 "**Non-Competing Products**" means Products that either (i) Operate above 35V, or (ii) Do NOT perform Power Management functions (namely **Port Protection, Load Switching & Power Supervision, Battery Management, or Voltage Regulation & DC/DC Conversion**). Specific examples of Non-Competitive Products are listed in **Exhibit D**.

1.28 "**Party**" means each of AATI and MAGNACHIP (and collectively "**Parties**" means both MAGNACHIP and AATI). The term Party (whether referred to as a "Party" or "Parties" or "AATI" or "MAGNACHIP") does not include any affiliates of such Party except for wholly owned subsidiaries, unless expressly agreed upon in writing by both Parties. In addition, the terms Party, AATI, MAGNACHIP and Parties shall not include any assignees or successors in interest except as provided for under **Section 12.3**.

1.29 "**Products**" means semiconductor devices; integrated circuits; discrete transistors; or semiconductor components; whether in wafer form or separated into individual dice (chips), whether assembled into packages, modules, chip-scale packages, bumped, or otherwise unassembled, whether tested or untested. Products include both Competing Products and Non-Competing Products.

1.30 "**Release-to-Design (RTD) Date**" means the date when IC circuit design using ModularBCD Technology can commence. The **RTD Date** requires the completion of working test devices and the extraction of SPICE simulation models. Thereafter design of the first integrated circuit product can commence.

1.31 "**Release-to-Manufacturing (RTM) Date**" means the date when the first integrated circuit Product using ModularBCD Technology is successfully qualified. The **RTM Date** requires the successful fabrication and burn-in qualification of three (3) wafer runs of said Product. Thereafter both Product and ModularBCD Technology are qualified and manufacturing production can commence.

1.32 "**Third Party**" means any company, corporation, partnership, person or commercial entity other than a Party.

1.33 "**Voltage Regulation & DC/DC Conversion**" means Low-Voltage Power Management Products that regulate voltage (or in some cases current) by linear (i.e. linear regulators or LDO's), switched capacitive (i.e. charge pumps), and switched inductor (i.e. switching or PWM regulator) methods. The input voltage is generally stepped up and/or down in voltage by the converter circuitry then the output is regulated by some sort of feedback to produce constant output voltage (or in some cases constant output current). Linear regulators and charge pumps need external capacitors while switching regulators also require one or more inductors. Voltage Regulation applications include regulators for cell phones, CPUs, chip sets, displays, RF ICs, DSPs, memory, data busses, whole systems, and more. Constant current applications include LED drivers for portable electronics display backlights.

1.34 "**Projected Wafer Cost**" means the estimated cost of a wafer, including the substrate, but not including back grind or project costs. This will also be the same cost that AATI will pay directly for said wafers from MAGNACHIP. The projected wafer costs shall be mutually agreed upon by both parties and both parties agree to revisit the projected wafer cost on an annual basis in the future.

1.35 "**Customer**" means any third party purchaser of products under this Agreement who is not an affiliate, parent company or subsidiary of MAGNACHIP or AATI.

2. LICENSE

2.1 License by AATI.

(a) Subject to the terms and conditions set forth in this Agreement, AATI hereby grants and agrees to grant to MAGNACHIP, and MAGNACHIP accepts, the following license:

(i) a non-exclusive and non-transferable (except pursuant to **Section 12.3**), license under the AATI Intellectual Property to:

(1) make at the Facility (but not have made elsewhere), design, develop, offer to sell, sell, use, import, and otherwise dispose of the MAGNACHIP Licensed Products;

(2) practice, at the Facility, any *process or method* involved in the manufacture or use of MAGNACHIP Licensed Products; and

(3) to make, use and have made any *manufacturing apparatus* involved in the manufacture or use of MAGNACHIP Licensed Products.

(ii) a non-exclusive nontransferable (except pursuant to **Section 12.3**) license under the AATI Intellectual Property to use the AATI IC Technology for the sole purpose of manufacturing and repairing AATI Products, at the Facility, for distribution to AATI.

(iii) a non-exclusive and non-transferable (except pursuant to **Section 12.3**), license on a world-wide basis under the AATI Intellectual Property to use, reproduce modify and make derivative works of the copyrightable materials of the AATI IC Technology solely for use in connection with the exercise of the license granted in **Section 2.1(a)(i)** and **(ii).**

(b) MAGNACHIP Licensed Products shall be royalty-bearing in accordance with **Section 5**.

(c) MAGNACHIP shall have no license under the AATI Intellectual Property to supply AATI Products or Competing Products to any party other than AATI without AATI's prior written approval except as provided for in **Section 2.3**. Further, for clarity and notwithstanding anything to the contrary set forth in this Agreement, to the extent (i) a MAGNACHIP License Product includes or relies upon both AATI IC Technology and Other Technology, or (ii) the practice of any rights granted under this **Section 2.1** infringes or misappropriates any AATI Intellectual Property due to such Other Technology, then (iii) the use of the Other Technology shall not be considered licensed under this Agreement, but shall instead require a

separate license from AATI (which AATI may grant or withhold in its sole discretion). The parties acknowledge that AATI and MAGNACHIP have executed a separate License Agreement (TrenchDMOS) concurrently with this Agreement.

(d) MAGNACHIP shall have the right, upon prior approval of AATI in writing, to sublicense to Third Parties its right under **Section 2.1(a)**. Except as expressly provided in this **Section 2.1**, MAGNACHIP shall have no right to sublicense the rights granted in this **Section 2.1**.

2.2 License by MAGNACHIP:

(a) Subject to the terms and conditions set forth in this Agreement, MAGNACHIP hereby grants and agrees to grant to AATI, and AATI accepts, a non-exclusive, irrevocable, royalty-free, fully paid-up and non-transferable (except pursuant to **Section 12.3 ,** and, under no circumstances, to any other manufacturer of the Products apart from MAGNACHIP), and only for the Term of this Agreement, license on a world-wide basis under the MAGNACHIP Intellectual Property to:

(i) make and have made AATI Licensed Products solely in the Facility,

(ii) design, develop, offer to sell, sell, use, import and otherwise dispose of AATI Licensed Products made or to be made in the Facility,

(iii) practice, solely within the Facility, any *process or method* involved in the manufacture of the AATI Licensed Products,

(iv) to practice any process or method involved in the *use* of the AATI Licensed Products made in the Facility, and

(v) make and have made any *manufacturing apparatus* involved in the manufacture or use of AATI Licensed Products that incorporates or is based upon MAGNACHIP Technology and to use such apparatus exclusively at the Facility.

2.3 Competing Products. In no event shall MAGNACHIP utilize any AATI IC Technology in connection with the design, manufacturing, distribution or sale of any Competing Product without the prior written permission of AATI. MAGNACHIP agrees to provide AATI at least thirty (30) days prior written notice prior to MAGNACHIP's manufacture, distribution or sale (or assisting others with regard to the same) of any Competing Product. At no time my AATI utilize MAGNACHIP Licensed Products or MAGNACHIP Intellectual property in connection with the design or manufacturing of AATI Products or AATI Licensed Products outside of MAGNACHIP' Facility without MAGNACHIP' expressed written approval.

3. OWNERSHIP AND RESERVATION

3.1 By AATI. Subject to the rights granted to or retained by MAGNACHIP under **Sections 2**, **3.2** and **3.3**, the Parties acknowledge and agree that as between the Parties, all title to and ownership of all AATI Intellectual Property and AATI IC Technology not expressly granted herein shall remain the sole and exclusive property of AATI. Nothing herein shall be construed as granting MAGNACHIP any ownership rights in the AATI Intellectual Property and AATI IC Technology. AATI grants no rights, license or title to its technology beyond the scope of this Agreement, unless otherwise agreed to in writing by both parties.

3.2 By MAGNACHIP: Subject to the rights granted to or retained by AATI under **Sections 2**, **3.1** and **3.3**, the Parties acknowledge and agree that as between the Parties, all title to and ownership of all MAGNACHIP Technology and MAGNACHIP Intellectual Property not expressly granted herein shall remain the sole and exclusive property of MAGNACHIP. Nothing herein shall be construed as granting AATI any ownership rights in the MAGNACHIP Intellectual Property and MAGNACHIP Technology. MAGNACHIP grants no rights, license, or title to its technology beyond the scope of this Agreement, unless otherwise agreed to in writing by both parties.

3.3 Improvements. With respect to any Improvements, ownership shall be allocated as follows:

(a) **AATI Improvements**. All Improvements to AATI IC Technology that are created or conceived solely by AATI shall be solely owned by AATI (the "**AATI Improvements**"). AATI shall own all right, title, and interest in the AATI Improvements and all Intellectual Property therein (excluding MAGNACHIP' rights in and ownership of any Joint Improvement under Section 3.3(c) below). AATI shall have the exclusive right to apply for or register any patents, mask work rights, copyrights, and such other proprietary protections with respect thereto. Nothing herein shall be construed as granting MAGNACHIP any ownership rights in the AATI Intellectual Property and AATI IC Technology. AATI grants no rights, license or title to such technology and/or Intellectual Property outside the scope of this Agreement.

(b) **MAGNACHIP Improvements:** All Improvements to MAGNACHIP Technology that are created or conceived solely by MAGNACHIP shall be solely owned by MAGNACHIP (the "**MAGNACHIP Improvements**"). MAGNACHIP shall own all right, title, and interest in the MAGNACHIP Improvements, and all Intellectual Property therein (excluding AATI's rights in and ownership of any Joint Improvement under Section 3.3(c) below). MAGNACHIP shall have the exclusive right to apply for or register any patents, mask work rights, copyrights, and such other proprietary protections with respect thereto. Nothing herein shall be construed as granting AATI any ownership rights in the MAGNACHIP Intellectual Property and MAGNACHIP Technology. MAGNACHIP grants no rights, license or title to such technology and/or Intellectual Property outside the scope of this Agreement.

(c) **Joint Improvements**. Any Improvement which is jointly created or conceived by the Parties pursuant to this Agreement shall:

(i) if created or conceived as an Improvement to AATI IC Technology as a result of the licenses granted to MAGNACHIP in Section 2 or access to the AATI IC Technology or AATI Confidential Information, be considered:

(1) a "**Joint Improvement**" under this Section 3.3(c), if falling *outside* the AATI Field; or

(2) an "**AATI Improvement**" under Section 3.3(a), if falling *within* the AATI Field; and

(ii) if created or conceived as an Improvement to MAGNACHIP Technology as a result of the licenses granted to AATI in Section 2 or access to the MAGNACHIP Technology or MAGNACHIP Confidential Information, be considered:

(1) a "**Joint Improvement**" under this Section 3.3(c), if falling *outside* the MAGNACHIP Field; or

(2) a "**MAGNACHIP Improvement**" under Section 3.3(b), if falling *within* the MAGNACHIP Field.

(iii) The Parties shall cooperate with each other in obtaining and securing all possible United States and foreign rights to the Joint Improvements and enforcing such rights. The Parties agree to meet and confer prior to any public dissemination, use or sale of Joint Improvement in order to ensure that any related patent applications have been filed prior to such event, and shall not make such dissemination, use or sale of Joint Improvement until related patent applications have been filed. The Parties shall share equally in the costs of obtaining Joint Improvement rights which are jointly owned, including but not limited to the costs of preparing, filing and prosecuting applications and patent maintenance fees. If a Party determines that it does not want to pursue or continue to pursue obtaining a particular Joint Improvement right which otherwise would be jointly owned, and the other Party elects to do so (the "electing Party"), the cost related to that particular Joint Improvement right shall be borne solely by the electing Party and the electing Party shall have sole and full ownership of such Joint Improvement right, including any derivatives, continuations, divisions, reissues and reexaminations of that Joint Improvement right.

(iv) MAGNACHIP hereby irrevocably transfers, conveys and assigns to AATI all of its right, title, and interest in any Improvements described in Section 3.3(c)(i)(B) (AATI Improvement). MAGNACHIP shall execute such documents, render such assistance, and take such other action as AATI may reasonably request, at AATI's expense, to apply for, register, perfect, confirm, and protect AATI rights to such Improvements, and all Intellectual Property therein. AATI hereby irrevocably transfers, conveys and assigns to MAGNACHIP all of its right, title, and interest in any Improvements described in Section 3.3(c)(ii)(B) (MAGNACHIP Improvement). AATI shall execute such documents, render such assistance, and take such other action as MAGNACHIP may reasonably request, at MAGNACHIP's expense, to apply for, register, perfect, confirm, and protect MAGNACHIP's rights to such Improvements, and all Intellectual Property therein.

(v) MAGNACHIP and AATI shall each have the right to exploit all Joint Improvements (that are not AATI Improvements or MAGNACHIP Improvements) without being required any additional payment to the other, *provided however*, in the event a Party refuses to cooperate and pay costs related to the Joint Improvement under Section 3(c)(iii), such Party shall have no rights to use or exploit such Joint Improvement under the terms of this Agreement.

(d) **Independently Developed**. Notwithstanding the above, to the extent that any Improvements is solely created by a Party under this Agreement, without reference or use of the other Party's Technology, Intellectual Property or Confidential Information (as defined below), then such Party shall exclusively own such Improvements.

3.4 Waiver of Moral Rights. Each party hereby waives any and all "moral rights," meaning any right to identification of authorship or limitation on subsequent modification that a party (or its employees, agents or consultants) has or may have in the other party's Improvements, to the extent recognized by applicable law consistent with Berne Convention, art. 6bis.

3.5 **Attorney in Fact**. Each Party assigning any rights under Section 3 hereunder (the "**Assignor**") agrees that if the other Party (the "**Assignee**") is unable because of Assignor's unavailability, dissolution or incapacity, or for any other reason, to secure Assignor's signature to apply for or to pursue any application for any United States or foreign patents or mask work or copyright registrations covering the inventions assigned to Assignee above, then Assignor hereby irrevocably designates and appoints the company and its duly authorized officers and agents as Assignor's agent and attorney in fact, to act for and in Assignor's behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of patents, copyright and mask work registrations thereon with the same legal force and effect as if executed by Assignor. This power of attorney is deemed coupled with an interest and is irrevocable.

3.6 **Non-Exclusive Arrangement**. Nothing in this Agreement shall be construed to limit AATI's rights to manufacture, distribute or take any other action with respect to the AATI Products, AATI IC Technology, AATI Improvements or AATI Confidential Information or to authorize any other persons to do any of the foregoing except as it relates to MAGNACHIP Technology or *Improvements to MAGNACHIP Technology* pursuant to Section 3.3. Likewise nothing in this agreement shall be construed to limit MAGNACHIP's rights to manufacture, distribute or take any other action with respect to the MAGNACHIP Products, MAGNACHIP Technology, MAGNACHIP Improvements or MAGNACHIP Confidential Information or to authorize any other persons to do any of the foregoing, except as it relates to AATI IC Technology or *Improvements to AATI IC Technology* pursuant to Section 3.3.

4. **TECHNOLOGY DELIVERY & IMPLEMENTATION**.

4.1 **AATI Technology**. AATI will deliver to MAGNACHIP the **AATI IC Technology** promptly after the Effective Date in a form that is mutually acceptable to both Parties. AATI deliverables to MAGNACHIP are outlined in **Exhibit E**. Thereafter, AATI may (but is not obligated to) supplement the AATI IC Technology.

4.2 **MAGNACHIP Technology**: Upon the recommendation of MAGNACHIP or upon agreement of both Parties, MAGNACHIP will deliver to AATI the **MAGNACHIP Technology** listed in **Exhibit F** that may be applicable and useful in adapting and implementing the AATI IC Technology in said Facility. It is understood by both Parties that the applicability of such **MAGNACHIP Technology** to AATI IC Technology Implementation may vary by Facility. Thereafter, as agreed upon by both Parties, certain processing steps, methods, or features in the AATI IC Technology (such as unit process steps in the ModularBCD Technology process flow) may be adapted to incorporate **MAGNACHIP Technology** or variants thereof. MAGNACHIP may (but is not obligated to) supplement the **MAGNACHIP Technology** at a later date.

4.3 **AATI IC Technology Implementation**. Both Parties agree to implement with commercially reasonable effort, the AATI IC Technology in said Facility in accordance with the procedures for AATI IC Technology Implementation as described in **Exhibit G**.

(i) **Adapting AATI IC Technology for Facility**. In the event that AATI IC Technology is adapted or modified to best match or fit said Facility by utilizing MAGNACHIP Technology in certain steps or processes, such steps or techniques that constitute MAGNACHIP Technology shall remain the property of MAGNACHIP. Those portions of the AATI IC Technology not using MAGNACHIP Technology along with the integrated process flow of ModularBCD Technology constitute AATI IC Technology and shall remain the property of AATI.

(ii) **Initial AATI IC Technology Implementation**. The initial implementation of AATI IC Technology in said Facility does NOT constitute an Improvement to AATI IC Technology.

(iii) **Initial AATI IC Technology Implementation Milestones**. Both Parties will use commercially reasonable efforts to meet the milestones of the Initial AATI IC Technology Implementation including efforts to meet the objective *Release-to-Design (RTD) Date*, and the *Release-to-Manufacturing (RTM) Date*.

5. ROYALTIES AND PAYMENT TERMS.

5.1 Royalty.

(a) MAGNACHIP shall pay [*****] royalty for Products its produces for and sells to AATI (or AATI's affiliate as designated in writing by contract from AATI). AATI's wafer price from MAGNACHIP is covered under the AATI MAGNACHIP supply agreement and is not covered by this Agreement.

(b) In the case of Non-Competing Products, MAGNACHIP shall pay AATI [*****] royalty of Net Sales of all wafers produced using or incorporating the AATI Intellectual Property licensed herein (such MAGNACHIP payment to be offset by any payment due from AATI pursuant to Section 5.4 below); provided, however, that the Parties agree that the foregoing royalty rate is based on a presumption of a [*****] withholding tax rate as of the Effective Date, and so the Parties agree to negotiate in good faith an increase or decrease in such royalty rate at any time the withholding tax rate changes after the Effective Date. Customer shall be responsible for its own designs or pay for AATI's design with a release to AATI. Customer and/or MagnaChip shall be responsible for the qualification, orders, shipping logistics and quality.

(c) In the case of Competing Products, MAGNACHIP has no license under this Agreement to sell Competing Products to customers other than AATI (and AATI's affiliates). In the event that AATI has provided said customer with a license to have made, purchase, promote and sell Competing Products, however, MAGNACHIP may, to the extent it is a qualified manufacturer manufacture Competing Products for such licensee, to the extent authorized by AATI. In such instances, MAGNACHIP shall pay AATI [*****] of the difference between the **Net Sales** of a wafer produced using or incorporating the AATI Intellectual Property licensed herein, and the mutually agreed upon "**Projected Wafer Cost**" (such MAGNACHIP payment to be offset by any payment due from AATI pursuant to Section 5.4 below). AATI reserves the right to charge additional consideration directly to such customers (as opposed to MAGNACHIP) for such Competing Products. In such cases, (1) MAGNACHIP makes no representation to AATI with respect to the qualification and product quality; (2) AATI, at its election, may choose to assist such customers with respect to qualification and product quality; and (3) as between AATI and MAGNACHIP. MAGNACHIP shall be responsible for shipping logistics, orders and process quality of wafers.

(d) Both parties shall negotiate a mutually agreeable new cost price. In any case, both parties agree that they will review the pricing structure hereunder on an annual basis to ensure the pricing structure is mutually agreeable, and adjust such accordingly.

5.2 Payment. Within 30 days following the end of each calendar quarter, MAGNACHIP and AATI shall pay their respective royalty payments on invoices paid by the third party in U.S. Dollars and shall include a report sufficient to show the basis for calculation of the royalty payments made hereunder, including without limitation, quantity and identification of all Competing and Non-Competing Products

[*****] - Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

("**Report**"). Upon AATI approval, in lieu of payment on a quarterly basis MAGNACHIP may pay such outstanding royalties by issuing a credit against outstanding AATI invoices or toward new wafer starts for Products from MAGNACHIP.

5.3 Records and Audit. Each party shall retain records and supporting documentation sufficient to document the fee payable under this Agreement in any particular quarter in which this Agreement is in effect for at least three years following the end of such quarter and its compliance with **Section 5.2**. Upon prior reasonable written notice of no less than sixty (60) days by one party, the other party shall provide to a nationally recognized independent public accounting firm (the "**Auditors**") designated in writing by that party access during normal business hours to the audited party's personnel, outside accountants and data and records maintained in connection with this Agreement, in each case to the extent necessary or appropriate for the purpose of determining whether (i) calculations of the royalties payable under this Agreement are accurate and in accordance with this Agreement and/or (ii) MAGNACHIP has offered most favorable pricing to AATI in accordance with **Section 5.2** (an "**Audit**"). Audits will be conducted no more frequently than once per calendar year. Each party agrees to use commercially reasonable efforts to assist such Auditors in connection with such Audits. Any such Audits shall be conducted at the requesting party's sole cost and expense.

5.4 Taxes. Each Party shall bear any and all taxes and other charges incurred by or levied on it by its own country in connection with this Agreement; provided, however, that AATI shall bear fifty percent (50%) of any withholding or similar tax for foreign payments that is levied by the Korean Government upon any amounts due from MAGNACHIP to AATI under this Agreement, and MAGNACHIP is entitled to offset such AATI payment obligation from any amounts actually paid by MAGNACHIP to AATI under this Agreement, including but not limited to amounts due pursuant to Sections 5.1(b) and 5.1(c) above. MAGNACHIP will furnish AATI with each tax receipt issued by the Korean taxing authority to assist AATI in obtaining the credit in the United States.

6. WARRANTY AND DISCLAIMER.

6.1 General. Each Party represents and warrants to the other that:

(e) it has all requisite corporate power and authority to enter into this Agreement and to carry out the transactions contemplated by this Agreement; and

(f) the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated by this Agreement have been duly authorized by all requisite corporate action on the part of such Party

6.2 EXCEPT FOR THE EXPRESS WARRANTIES SET FORTH IN THIS **SECTION 6**, NEITHER PARTY MAKES ANY OTHER WARRANTIES WITH RESPECT TO THE TECHNOLOGY AND INTELLECTUAL PROPERTY RIGHTS LICENSED HEREUNDER, WHETHER EXPRESSED OR IMPLIED, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR OF FITNESS FOR A PARTICULAR PURPOSE OR NON-INFRINGEMENT.

7. TERM AND TERMINATION OF AGREEMENT.

7.1 Term. This Agreement shall have an initial term of three (3) years but shall be automatically renewed thereafter (and after each subsequent renewal term) for a renewal term of one year unless, at least sixty (60) days prior to the date of any such renewal, either Party hereto shall have given notice in writing to the other of its intention to terminate the Agreement. This Agreement shall thereafter be automatically terminated at the end of the term during which such notice is given.

7.2 Termination for Default. Should either Party materially default in the performance of any term or condition of this Agreement (a "**Default**"), in addition to all other legal rights and remedies, the other Party may terminate this Agreement by giving thirty (30) days written notice of said Default unless such Default is corrected within the notice period.

7.3 Termination for Bankruptcy: Either Party may terminate this Agreement by written notice in the event that the other Party makes an assignment for this benefit of creditors, or admits in writing inability to pay debts as they become due; or a Trustee or receiver for any substantial part of its assets is appointed by any court; or a proceeding is instituted under a provision of the Federal Bankruptcy Act by or against the other Party and is acquiesced in or is not dismissed within 60 days or results in an adjudication in bankruptcy. An assignment by AATI of all or part of its rights to payment hereunder as part of a working capital financing shall not be deemed cause for termination under this paragraph.

7.4 Effect of Termination. Upon termination or expiration of this Agreement for any reason, all licenses shall immediately terminate. Each Party shall return the Confidential Information of the other Party within thirty (30) days after the effective date of such termination or expiration. In addition Sections 1, 3, 5.3, 6, 7, 8, 9, 10, 11 and 12 shall survive any expiration or termination of this Agreement.

8. INTELLECTUAL PROPERTY RIGHTS INDEMNITY.

8.1 By MAGNACHIP:

(a) MAGNACHIP will defend or settle, at its expense, all claims, proceedings and/or suits brought by Third Parties against AATI, its Affiliates (including their directors, officers, and employees) and customers alleging that the MAGNACHIP Technology as provided by MAGNACHIP to AATI hereunder infringes or violates any patent, copyright, trade secret or other intellectual property right (herein "**Infringement Claim**") and will indemnify AATI from and pay all litigation costs, reasonable attorney's fees, settlement payments (subject to reasonable approval by MAGNACHIP) and damages awarded by a court having jurisdiction over such Infringement Claim with respect to any Infringement Claim; and provided that MAGNACHIP shall be relieved of its obligations under this **Section 8.1** unless AATI promptly notifies MAGNACHIP in writing of any such Infringement Claim and gives MAGNACHIP sole control, full authority, information and assistance (at MAGNACHIP's expense) for the defense or settlement of such Infringement Claim.

(b) Without limiting its obligations under Section 8.1(a), when notified of an action or motion that seeks to restrict the use, sale and/or distribution of any MAGNACHIP Technology hereunder (or part thereof), MAGNACHIP may but is not required nor obligated to, at its option and expense, (1) obtain the right for AATI the right to use the MAGNACHIP Technology as licensed hereunder, (2) substitute other functionally equivalent technology that does not infringe, or (3) modify such MAGNACHIP Technology so that it no longer infringes.

(c) Notwithstanding any provision to the contrary, the indemnification obligations in this Section 8.1 shall not be applicable to the extent an Infringement Claim arises from (1) use of the MAGNACHIP Technology in violation of the license terms herein, (2) the modification of any MAGNACHIP Technology by AATI, or (3) a combination of the MAGNACHIP Technology with other technology not provided by MAGNACHIP. THE FOREGOING SECTION 8.1 STATES THE SOLE LIABILITY OF MAGNACHIP, AND THE SOLE REMEDY OF AATI, WITH RESPECT TO INFRINGEMENT OR MISAPPROPRIATION OF ANY PATENT, COPYRIGHT, TRADE SECRET OR OTHER INTELLECTUAL PROPERTY RIGHT BY THE MAGNACHIP TECHNOLOGY OR MAGNACHIP INTELLECTUAL PROPERTY UNDER THIS AGREEMENT.

8.2 By AATI.

(a) AATI will defend or settle, at its expense, all claims, proceedings and/or suits brought by Third Parties against MAGNACHIP, its Affiliates (including their directors, officers, and employees) alleging that AATI IC Technology as provided by AATI to MAGNACHIP hereunder infringes or violates any patent, copyright, trade secret or other intellectual property right (herein "**Claim**") and will indemnify MAGNACHIP from and pay all litigation costs, reasonable attorney's fees, settlement payments (subject to AATI's reasonable approval) and damages awarded by a court having jurisdiction over such Claim with respect to any such Claim; and provided that AATI shall be relieved of its obligations under this **Section 8.2** unless MAGNACHIP promptly notifies AATI in writing of any such Claim and gives AATI sole control, full authority, information and assistance (at AATI's expense) for the defense or settlement of such Claim.

(b) Without limiting its obligations under Section 8.2(a), when notified of an action or motion that seeks to restrict the use, sale and/or distribution of any AATI IC Technology hereunder (or part thereof), AATI may but is not required or obligated to, at its option and expense, (1) obtain the right for MAGNACHIP the right to use the AATI IC Technology licensed hereunder, (2) substitute other functionally equivalent technology that does not infringe, or (3) modify such technology so that it no longer infringes.

(c) Notwithstanding any provision to the contrary, the indemnification obligations in this **Section 8.2** shall not be applicable to the extent a Claim arises from (1) use of the AATI IC Technology in violation of the license terms herein or (2) modification of the AATI IC Technology by a party other than AATI, or (3) a combination of the AATI IC Technology with other technology not provided by AATI or (4) MAGNACHIP acting as a foundry to any Third Party AATI Intellectual Property licensee, provided, however, that AATI has, in its written consent granting permission to MAGNACHIP to act as a foundry to such Third Party licensee, provided a written representation reasonably satisfactory to counsel to MAGNACHIP that AATI has indemnified such Third Party licensee from and against all claims, proceedings and/or suits brought against the Third Party licensee and alleging that AATI intellectual property as provided by AATI to the Third Party licensee infringes or violates any patent, copyright, trade secret or other intellectual property right. THE FOREGOING SECTION 8.2 STATES THE SOLE LIABILITY OF AATI, AND THE SOLE REMEDY OF MAGNACHIP, WITH RESPECT TO INFRINGEMENT OR MISAPPROPRIATION OF ANY PATENT, COPYRIGHT, TRADE SECRET OR OTHER INTELLECTUAL PROPERTY RIGHT BY AATI IC TECHNOLOGY PROVIDED TO MAGNACHIP BY AATI UNDER THIS AGREEMENT.

9. OTHER INDEMNITIES. Notwithstanding anything to the contrary in this Agreement or any Exhibit hereto, each party agrees to defend, indemnify and hold the other harmless from and against any and all claims, liability for damages, costs and expenses (including reasonable attorney's fees and disbursements) for any noncompliance by said party or its Affiliates or agents with the laws, rules or regulations of any jurisdiction, including export control laws.

10. LIMITATION OF LIABILITY.

EXCEPT FOR A BREACH OF SECTIONS 2.1(c) or 11 or LIABILITY UNDER SECTIONS 8 AND 9, IN NO EVENT WILL EITHER PARTY BE LIABLE FOR LOST PROFITS OR ANY CONSEQUENTIAL, SPECIAL, PUNITIVE, INCIDENTAL, OR INDIRECT DAMAGES, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY (INCLUDING WITHOUT LIMITATION, NEGLIGENCE), ARISING OUT OF OR RELATED TO THIS AGREEMENT WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. EACH PARTY ACKNOWLEDGES THAT FEES AGREED UPON BY THE PARTIES ARE BASED IN PART UPON THESE LIMITATIONS, AND THAT THESE LIMITATIONS WILL APPLY NOTWITHSTANDING ANY FAILURE OF ESSENTIAL PURPOSE OF ANY REMEDY. NOTWITHSTANDING THE FOREGOING, THIS LIMITATION OF LIABILITY SHALL NOT APPLY TO ANY CLAIM WITH RESPECT TO DEATH OR PERSONAL INJURY.

EXCEPT FOR A BREACH OF SECTIONS 2.1(c) or 11, IN NO EVENT SHALL EITHER PARTY'S LIABILITY UNDER THIS AGREEMENT EXCEED THE AMOUNT OF U.S. FIVE MILLION DOLLARS (US$5,000,000.00) IN THE AGGREGATE.

11. CONFIDENTIALITY OF INFORMATION.

11.1 Each Receiving Party shall safeguard the Confidential Information and keep it in strict confidence, and shall use reasonable efforts, consistent with those used in the protection of its own confidential information of similar nature and significance, to prevent the disclosure of such Confidential Information to Third Parties.

11.2 A Receiving Party shall limit the dissemination of the Confidential Information to only its shareholders, directors, officers, employees and agents, who have a specific need to know such Confidential Information for the purpose for which such Confidential Information is disclosed and prevent the dissemination of such Confidential Information to Third Parties; *provided however* a Receiving Party may disclose Confidential Information of the a Disclosing Party to the extent required to do so under applicable law. In the event such disclosure is required, the Receiving Party shall provide prompt prior written notice to the Disclosing Party, shall use commercially reasonable efforts to limit any such disclosure, shall cooperate in a reasonable manner with the Disclosing Party in resisting such disclosure, and provide sufficient time, if possible, for the Disclosing Party to seek a protective order or other legal recourse against disclosure.

11.3 Each Receiving Party shall not use or disclose the Confidential Information for any purposes other than for the performance of this Agreement.

11.4 Confidentiality of Terms. The Parties shall keep the terms of this Agreement confidential and shall not now or hereafter divulge these terms to any Third Party except:

(a) with the prior written consent of the other Party; or

(b) to any governmental body having jurisdiction to call therefor; or

(c) as otherwise may be required by law or legal process, including to legal and financial advisors in their capacity of advising a Party in such matters; or

(d) to the extent reasonably necessary to comply with United States law in a filing with the Securities and Exchange Commission, or other governmental agency; or

(e) during the course of litigation so long as the disclosure of such terms and conditions are restricted in the same manner as is the confidential information of other litigating Parties and so long as (1) the restrictions are embodied in a court-entered protective order and (2) the disclosing Party informs the other Party in writing at least ten (10) days in advance of the disclosure; or

(f) in confidence to legal counsel, accountants, banks and financing sources and their advisors solely in connection with financial transactions or other corporate transactions, and said persons are held to the same level of confidentiality as set forth herein.

11.5 Nothing contained in this **Section 11** shall be construed as granting or conferring any rights, licenses or establishing relationships by the disclosure or transmission of a Disclosing Party's Confidential Information.

11.6 All Confidential Information disclosed to or received by a Receiving Party's under this Agreement shall always remain the property of the Disclosing Party, except for the license granted herein or other terms or conditions expressly provided herein. Upon the expiration or termination of this Agreement, the Receiving Party shall return to the Disclosing Party all Confidential Information and any documents or storage media (including any and all transcripts and copies thereof recording such Confidential Information.

11.7 The confidentiality obligations set forth in this Article shall not apply to any information which:

(a) is already known by the Receiving Party at the time of its receipt from the Disclosing Party; or

(b) is or becomes publicly available or known through no breach of this Section 11, or any other agreement between the Parties by the Receiving Party ; or

(g) is made available to a Third Party by the Disclosing Party without any restriction on disclosure; or

(h) is rightfully received by the Receiving Party from a Third Party who is not restricted from disclosing such information and is not in wrongful possession of such information; or

(i) can be demonstrated has been independently developed by the Receiving Party without reference to the Disclosing Party's Confidential Information; or

(j) is disclosed with the prior written consent of the Disclosing Party.

11.8 Each Receiving Party acknowledge that any disclosure or dissemination of any Confidential Information of the Disclosing Party which is not expressly authorized under this Agreement is likely to cause irreparable injury to such Disclosing Party, for which monetary damages is not likely to be an adequate remedy, and therefore such Party shall be entitled to equitable relief, without the posting of bond or security, in addition to any remedies it may have under this Agreement or at law.

12. GENERAL.

12.1 Independent Contractors. The Parties hereto are independent contractors. Nothing contained herein will constitute either Party the agent of the other Party, or constitute the Parties as partners or joint ventures. MAGNACHIP shall make no representations or warranties on behalf of AATI with respect to the MAGNACHIP Licensed Products or AATI IC Technology.

12.2 Days. Unless otherwise indicated, the term "days" used in this Agreement is assumed to be calendar days.

12.3 Assignment. Neither Party may assign or delegate this Agreement or any of its licenses, rights or duties under this Agreement, directly or indirectly (in a single transaction or any series of transactions), by operation of law or otherwise, without the prior written consent of the other Party. Notwithstanding, a Party may assign this agreement to an affiliate of such Party and in the case of a re-incorporation, reorganization or a sale or other transfer of substantially all such Party's assets or equity, including, without limitation, either party's right to sell all or spin-off all or substantially all of its assets to which this Agreement relates, whether by sale of assets or stock or by merger or other reorganization that the assignee has agreed in writing to be bound by all the terms and conditions of this Agreement, and further, provided that in no event shall either party (or its permitted successors) assign or transfer (in a single transaction or any series of transactions) this Agreement or any of its licenses, rights or duties hereunder, to a party primarily engaged in the manufacture, marketing or sale of a product that directly competes with the products of the other party without the prior written permission of such other party. Upon any such attempted prohibited assignment or delegation, such assignment shall be deemed null and void, and this Agreement will immediately automatically terminate. Subject to the terms of this **Section 12.3**, this Agreement will inure to the benefit of each Party's successors and assigns.

12.4 Notices. Any notice required or permitted to be given by either Party under this Agreement will be in writing or by email and will be deemed given: (i) one day after pre-paid deposit with a commercial courier service (e.g., DHL, FedEx), (ii) upon receipt, if personally delivered, (iii) three days after deposit, postage pre-paid, with first class airmail (certified or registered if available), or (iv) upon receipt, when sent by facsimile or e-mail (with a confirmation copy to follow by regular U.S. Mail), in any such case, to the other Party at its address below, or to such new address as may from time to time be supplied hereunder by the Parties hereto:

Notice Address for AATI:

Advanced Analogic Technologies Inc.
830 E. Arques Ave.
Sunnyvale, California 94085
Attn: President
Tel: (408) 737-4600
Fax: (408) 737-4611
Email:

Notice Address for MAGNACHIP:

MagnaChip Semiconductor, Ltd.
1, Hyangjeong-dong, Hungduk-gu, Cheongju-si, Chungbuk, South Korea
Attn: President & CEO, with copy to Legal Department
Tel: 82-2-3459-3007
Fax: 82-2-3459-3666
Email: youm.huh@magnachip.com

12.5 Export Regulations. MAGNACHIP understands and acknowledges that AATI is subject to regulation by agencies of the United States Government, including, but not limited to, the U.S. Department of Commerce, which prohibit export or diversion of certain technology to certain countries. Any obligations of AATI to provide technology are subject in all respects to such United States laws and regulations as from time to time govern the license and delivery of technology and services outside the United States. MAGNACHIP will comply with all applicable laws, and will not export, re-export, transfer, divert or disclose, directly or indirectly, including via remote access, the AATI IC Technology, Products, any confidential information contained or embodied in the AATI IC Technology or Products, or any direct product thereof, except as authorized under the Export Administration Regulations or other United States laws and regulations governing exports in effect from time to time**.**

12.6 Payment. Payment must be in U.S. Dollars. All references to "dollars" or "$" in this Agreement mean United States dollars**.**

12.7 Legal Compliance. MAGNACHIP will comply with all applicable laws in connection with its performance under this Agreement.

12.8 Force Majeure. Neither Party shall be responsible for delays or failures in performance not within its reasonable control resulting from acts of God, strikes or other labor disputes, riots, acts of war, acts of terrorism, plagues and epidemics, governmental regulations superimposed after the facts, communication line failures, power failures, fire or other disasters beyond its control. If it appears that MAGNACHIP's performance hereunder will be delayed for more than ninety (90) days, AATI shall have the right to terminate this Agreement, or to cancel without cancellation charges those Purchase Orders or portions thereof which are affected by the delay.

12.9 Language. This Agreement is in the English language only, which language will be controlling in all respects, and all versions hereof in any other language will not be binding on the Parties hereto. All communications and notices to be made or given pursuant to this Agreement must be in the English language. The Parties hereto confirm that it is their wish that this Agreement, as well as other documents relating hereto, including notices, have been and will be written in the English language only**.**

12.10 Governing Law. **The rights and obligations of the Parties under this Agreement will not be governed by the 1980 U.N. Convention on Contracts for the International Sale of Goods;**

rather such rights and obligations will be governed by and construed under the laws of the State of California, without reference to its conflict of laws principles.

12.11 Arbitration. Any controversy or claim arising out of or relating to this Agreement, or the existence, validity, breach or termination of this Agreement, whether during or after its term, will be finally settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("*AAA*"), as modified or supplemented as follows:

(a) To initiate arbitration, a Party will file the appropriate notice at the AAA. The arbitration proceeding will take place in San Francisco, CA or such other place as the Parties may agree in writing. The arbitration panel will be selected in accordance with the AAA standards. The Parties expressly agree that the arbitrators will be empowered to, at a Party's request, (i) issue an interim order requiring one or more other Parties to cease using and return the requesting Party's Confidential Information and/or (ii) grant injunctive relief.

(b) The arbitration award will be the exclusive remedy of the Parties for all claims, counterclaims, issues or accounting presented or pled to the arbitrators. The award will be granted and paid in U.S. Dollars exclusive of any tax, deduction or offset and will include reasonable attorneys fees and costs. Judgment on the arbitration award may be entered in any court that has jurisdiction thereof. Any additional costs, fees or expenses incurred in enforcing the arbitration award will be charged against the Party that resists its enforcement.

(c) Nothing in this **Section 12.11** will prevent a Party from seeking injunctive relief against another Party from any judicial or administrative authority pending the resolution of a dispute by arbitration. MAGNACHIP acknowledges that a violation of proprietary rights of AATI would result in irreparable injury entitling MAGNACHIP to injunctive relief.

12.12 Modification and Waiver. No amendment, waiver or any other change in any term or condition of this Agreement will be valid or binding unless mutually agreed to in writing by both Parties. The failure of a Party to enforce any provision of this Agreement, or to require performance by the other Party, will not be construed to be a waiver, or in any way affect the right of either Party to enforce such provision thereafter**.**

12.13 Severability. If a court or other body of competent jurisdiction finds, or the Parties mutually believe, any provision of this Agreement, or portion thereof, to be invalid or unenforceable, such provision will be enforced to the maximum extent permissible so as to effect the intent of the Parties, and the remainder of this Agreement will continue in full force and effect. The Parties shall negotiate in good faith an enforceable substitute provision that most nearly achieves the intent and economic effect of such invalid or unenforceable provision**.**

12.14 Favored Pricing Terms.

12.15 The price charged AATI and its customers for any MAGNACHIP Licensed Products shall always be MAGNACHIP's lowest price charged any customer for such MAGNACHIP Licensed Product (or other products which are most *similar or substantially equivalent* to the manufacturing, function, and electrical specification of said MAGNACHIP Licensed Products) regardless of any special terms, conditions, rebates, or allowances of any nature. If MAGNACHIP provides MAGNACHIP Licensed Products or other technologies that are related to the AATI IC Technology or AATI Intellectual Property to any customer at a price less than provided for herein, MAGNACHIP shall adjust its price charged to AATI to

the lower price for any un-invoiced product and for all outstanding and future invoices for such product. AATI shall have the right to audit MAGNACHIP's compliance with this provision by conducting an Audit in accordance with **Section 5.3** of this Agreement.

12.16 Entire Agreement. The terms and conditions of this Agreement, including all exhibits hereto, constitute the entire agreement between the Parties and supersede all previous agreements and understandings, whether oral or written, between the Parties hereto with respect to the subject matter hereof**.**

12.17 Authority.

(i) **By AATI**. Execution or modification of this License Agreement requires the approval of the President (or the CEO) and the Chief Technical Officer (CTO) of AATI. No other employee of AATI can approve modifications to the Intellectual Property licenses contained herein.

(ii) **By MAGNACHIP**. Execution or modification of this License Agreement requires the approval of a representative officer or director of MAGNACHIP. No other employee of MAGNACHIP can approve modifications to the Intellectual Property licenses contained herein.

12.18 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be an original, and all of which taken together shall constitute a single instrument.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement the date and the year first herein above written.

MAGNACHIP Semiconductor, Ltd.

Signature: _____

Name: Youm Huh

Title: President and Chief Executive Officer (CEO)

Address: 891 Daechi-dong Kangnam-gu, Seoul, South Korea, 135-738

Facsimile: 82-2-3459-3666

Advanced Analogic Technologies, Inc.:

Signature: _____

Name: Richard K. Williams

Title: President, Chief Executive Officer (CEO) and Chief Technical Officer (CTO)

Address: 830 E. Arques Ave. Sunnyvale, California 94085

Facsimile: (408) 737-4611

AMENDED AND RESTATED LICENSE AGREEMENT
(TrenchDMOS)

DATED September 19, 2007

BETWEEN

ADVANCED ANALOGIC TECHNOLOGIES INC.

AND

MAGNACHIP SEMICONDUCTOR, LTD.

[*****] - Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

AMENDED AND RESTATED

LICENSE AGREEMENT
(TrenchDMOS)

This agreement (the **"Agreement")** is made effective as of September 19, 2007 **("Effective Date"),** by and between Advanced Analogic Technologies Inc., a California corporation with its principal place of business located at 830 E. Arques Ave, Sunnyvale California 94085 (hereafter called **"AATI")** and MagnaChip Semiconductor, Ltd. with its principal place of business located 1, Hyangjeong-dong, Hungduk-gu, Cheongju-si,Chungbuk, South Korea (hereafter called **"MAGNACHIP").**

RECITALS

WHEREAS, AATI and MAGNACHIP entered into a License Agreement on or about March 30, 2005 **("Original Agreement")** providing for the license of certain of AATI's technology related to TrenchDMOS Technology (as defined below), and

WHEREAS, MAGNACHIP and AATI wishes to amend and restate such Original Agreement on the terms and conditions set forth below as of the Effective Date hereof.

NOW, THEREFORE, the MAGNACHIP and AATI agree as follows:

AGREEMENT

1. DEFINITIONS. The following terms will have the meanings attributed thereto, unless otherwise provided herein:

1.1 "AATI Field" means the design, manufacturing, testing, sale, offer for sale, or distribution of Products, which are using AATI TrenchDMOS Technology described hereunder.

1.2 "AATI Improvements" shall have the meaning attributed thereto in **Section 4.3.**

1.3 "AATI Intellectual Property" means those Intellectual Property Rights that AATI owns or has a right to license consistent with the scope of the license hereunder.

1.4 "AATI Licensed Products" means those AATI Products whose manufacture includes the use of MAGNACHIP Technology.

1.5 "AATI Products" means those Low-Voltage TrenchDMOS Products of AATI, including, but not limited to, those identified on **Exhibit A,** as may be amended by AATI from time to time.

1.6 "AATI Discrete Technology" means the designs, technology and other information provided by AATI to MAGNACHIP related to TrenchDMOS Technology and related device and processing under this Agreement **AATI Discrete Technology** includes the processes, methods, devices and apparatus described in the United States and foreign patents and patent applications listed on **Exhibit B** along with any improvements, derivatives, continuation patents, foreign filings, continuation in part ("CIP") applications, and all work by AATI or its employees related to TrenchDMOS Technology preceding said applications (dating back to September 1998) continuing through the term of this Agreement. **AATI Discrete Technology** also includes the

features, devices, processes, apparatus and methods identified in **Exhibit C__including** those protected by the Patents in **Exhibit** B. For the purposes of clarity (and notwithstanding the above definition of **AATI Discrete Technology), AATI Discrete Technology)** does not include integrated circuit technology (including IC processes incorporating CMOS, BiCMOS, CBiC, and BCD device arsenals), IC processes used to produce power management integrated circuits (such as AATl's proprietary ModularBCD Technology), circuit designs, packaging technology, the multi-chip combination of TrenchDMOS or discrete transistors with integrated circuits, the multi-chip combination of TrenchDMOS or discrete devices with Schottky diodes, and other related designs, technologies and information.

1.7 "Basic Semiconductor Technology" means designs, technology and other information used to design, manufacture and test semiconductors, including etching, depositions, diffusion, cleaning, photolithography, and other semiconductor processes or sequences (such as LOCOS). Basic **Semiconductor Technology *does not include*** process architecture or the process integration (and resulting process flow) of an integrated process such as TrenchDMOS Technology. It also does not include "specialized" unit process steps such as directionally deposited oxides, chained and non-Gaussian implants, etc.

1.8 "Competing Products" means Products that compete with the AATI Products after the date of this Agreement. If any portion of a Product includes or integrates the functions of a Competing Product, then such product is a **"Competing Product."**

1.9 "Confidential Information" means any information disclosed by either Party (the **"Disclosing Party")** to the other Party (the **"Receiving Party")** under this Agreement, either directly or indirectly, in writing, orally or by inspection of tangible objects (including without limitation documents, prototypes, samples and equipment), which ts designated as "Confidential," "Proprietary" or some similar designation. Information communicated orally or through inspection shall be considered **Confidential Information** if such information is confirmed in writing as being Confidential Information within a reasonable time after the initial disclosure. **Confidential Information** may also include information disclosed to a Disclosing Party by Third Parties. Notwithstanding any designation of "Confidential", **Confidential Information** includes the AATI Discrete Technology.

1.10 "Effective Date" means the date set forth in the recital.

1.11 "Facility" means the MAGNACHIP-owned wafer fabrication facility located in Gumi, Korea and Cheong-ju, Korea or such other MAGNACHIP-owned facility that the Parties may agree upon in writing.

1.12 "MAGNACHIP Field" means Basic Semiconductor Technology, along with the design, manufacture, test, and sales of products not related to analog semiconductors, power semiconductors, or the AATI Field (such as memory ICs, digital ICs, displays, sensors, and other non-analog or non-power semiconductor products).

1.13 "MAGNACHIP Licensed Products" means (1) those Non-Competing Products of MAGNACHIP, i.e., Non-Competing Products marketed and sold under a MAGNACHIP-owned brand or sold by MAGNACHIP to a Third Party as wafer sales, die sales or finished good sales through MAGNACHIP's foundry services business that include or rely upon AATI Discrete Technology and (2) those Competing Products sold to the Customers designated in **Exhibit H** ("Customers"), as may be amended by AATI in its sole discretion, and with MagnaChip's approval of such, from time to time. "MAGNACHIP Licensed Products" exclude Competing Products sold to any other Customer and Products that utilize Other Technology.

1.14 "MAGNACHIP Improvements" shall have the meaning attributed thereto in Section 3.3.

1.15 "MAGNACHIP Intellectual Property" means those Intellectual Property Rights that MAGNACHIP owns or has a right to license consistent with the scope of the license hereunder.

1.16 "MAGNACHIP Technology" means the Basic Semiconductor Technology, and technology *not related* to analog and power semiconductor manufacture such as memory IC and digital 1C processes, provided by MAGNACHIP to AATI.

1.17 "Intellectual Property Rights" means any intellectual property right existing now or during the term of this Agreement recognized throughout the world, including without limitation copyright, maskwork rights, patent rights, trade secrets and know-how. For the purposes of this Agreement, **"Intellectual Property Rights"** excludes trademarks, service marks and domain names.

1.18 "Improvements" means all copyrightable material, notes, records, drawings, designs, inventions, patents, improvements, developments, discoveries and trade secrets first conceived, made or discovered by a Party during the period of this Agreement which relate in any manner to, or are derived from, the AATI Discrete Technology, the MAGNACHIP Technology or Confidential Information licensed or provided hereunder, including any enhancements, modifications or derivations thereto.

1.19 "Joint Improvements" shall have the meaning attributed thereto in **Section 4.3.**

1.20 "Low-Voltage TrenchDMOS Products" means those TrenchDMOS products that have low- voltage characteristics. For the purpose of this Agreement, **"Low-Voltage"** shall be defined as semiconductor components rated at *35 volts or less*, i.e., devices who drain-to-source breakdown specification not exceeding 35V. **"TrenchDMOS Products"** include the following semiconductor components: (1) Discrete power MOSFETs produced using TrenchDMOS Technology or portions of TrenchDMOS Technology (2) Multichip packages containing at least one discrete power MOSFET produced using TrenchDMOS Technology or portions of TrenchDMOS Technology (3) Monolithically integrated power MOSFETs produced using TrenchDMOS Technology or portions of TrenchDMOS Technology (including dual common-drain devices). **"TrenchDMOS Products"** collectively comprise N-channel or P-channel devices of differing drain and gate voltage ratings (i.e., Process Types). Some **TrenchDMOS Products** may also include gate-to-source ESD protection diodes.

1.21 "Starting Material" means un-patterned epitaxial silicon wafers comprising either N-epi on an N++ Substrate or P-epi on a P++ Substrate, as applicable. Epitaxial doping and thickness vary with Process Type.

1.22 "TrenchDMOS Technology" means that technology related to the fabrication of semiconductor electronic components comprising or containing at least one trench-gated MOSFET device having *vertical* current flow (i.e., where current flows between a topside source contact and a backside drain contact in a manner which is substantially perpendicular to the wafer's surface in the drain and/or channel regions of the device) and incorporating any of several unique features, processes, or characteristics (as described in **Exhibit C**) including;

(a) A *"chained implant DMOS body"* (or CIDB) using sequential multiple and high energy (including MeV) ion implantations to form an active MOS channel;

(b) A trench gate with *"thick bottom oxide"* (TBOX) formed by *directional deposition* of dielectric material;

(c) A *"dual polysilicon trench gate"* process comprising an embedded trench gate contacted by a second polysilicon (also used to form optional PN polysilicon diodes);

(d) A *"hardmask self-aligned trench gate"* photolithographically defined by a dielectric hardmask layer *not removed* prior to the trench-etch and trench-fill processing steps;

(e) A *"super-self aligned"* (or SSA) trench gate photolithographically defined by a dielectric hardmask layer subsequently removed by chemical and/or CMP methods to facilitate contact across the entire silicon mesa (i.e., trench-to-trench);

(f) A high-speed embedded *"polycide"* trench gate comprising a *polysilicon-sealed silicide* trench gate structure (i.e., where the silicide does not touch the gate oxide);

(g) A *"planarized gate bus"* comprising the integration of narrow (trench-gates) and wide (trench-gate-bus) regions, sharing a common embedded polysilicon, planarized by CMP or etchback

(h) A rugged trench-gated DMOS combining thick bottom oxide (TBOX) with an embedded PN drain clamping diode (or *"TBOX clamping diode")*, said clamping diode being shallower than trenches but deeper than the polysilicon gates;

(i) A *"planarized silicided trench contact"* for a trench gated DMOS with improved

ruggedness (avalanche capability);

(j) A "*salicide trench gate DMOS"*, comprising self aligned silicided (i.e., salicide) polysilicon and mesa regions;

1.23 TrenchDMOS Technology can also be characterized by its low thermal budget fabrication (no long or high temperature diffusions), its high-density-capable device construction (287 Mcells/in ^{2} and up), a highly-reproducible short channel capable of low thresholds without punchthrough, and the unique benefits of its thick bottom oxide including lower gate charge (per trench width), reduced field-plate-induced breakdown, and improved reliability (since impact ionization and avalanche occur near the thick bottom oxide, not in the vicinity of thin gate oxide). **TrenchDMOS Technology** includes but is not limited to the processes, methods, devices, mask designs, and apparatus described in United States and foreign Patents and Patent applications listed in **Exhibit** B along with any improvements, derivatives, continuation patents, foreign filings, CIP applications, and all work by AATI or its employees related to **TrenchDMOS Technology** preceding said applications (dating back to September 1998) continuing through the term of this Agreement. **TrenchDMOS Technology** features includes but is not limited to the features, device structures, apparatus and fabrication methods listed in **Exhibit C. TrenchDMOS Technology** collectively comprises processes and methods to manufacture N-channel and P-channel TrenchDMOS Products, for any and all drain-to-source and gate-to-source device voltage ratings (referred to herein as "Process Types").

1.24 "Net Sales" means the gross selling die or wafer price (depending on how such is sold) invoiced by MAGNACHIP, its affiliates and authorized manufacturers on sales or other dispositions of MAGNACHIP Licensed Products, less the following items to the extent they are included in such gross revenues and separately stated on the invoice: (i) normal and customary rebates, refunds and discounts actually given by seller, (ii) insurance, transportation and other delivery charges actually paid by seller, (iii) sales, excise, value-added and other taxes, and (iv) testing and packaging costs (v) backmetal and backgrind performed as a service to MAGNACHIP by any 3rd party vendor. Sales between MAGNACHIP, its affiliates and authorized manufacturers shall not be included in Net Sales (but sales or dispositions by MAGNACHIP, its affiliates and authorized manufacturers to third parties shall count as Net Sales). If any MAGNACHIP Licensed Products are

sold or transferred in whole or in part for consideration other than cash, Net Sales shall include the fair market value of such MAGNACHIP Licensed Product. For purposes of this definition of **Net Sales,** "authorized manufacturer" means any entity (other than a MAGNACHIP affiliate) that manufacturers (including any assembly and packaging of MAGNACHIP Licensed Products) and sells MAGNACHIP Licensed Products under authority, directly or indirectly, from MAGNACHIP.

1.25 "Non-Competing Products" means (i) Products comprising or containing vertical power MOSFETs that operate above 35V (i.e., have a drain to source breakdown voltage specification in excess of 35V), or (ii) Products that do not comprise or contain vertical power MOSFETs (including conventional planar lateral MOSFETs). For clarity, vertical MOS-bipolar merged devices such as the MOS gated thyristor, emitter switch thyristors, or IGBTs (insulated gate bipolar transistors) whether conventional or trench-gated are **Non-Competing Products.** Specific examples of Non-Competing Products are listed in **Exhibit D.**

1.26 "Other Technology" means all designs, technology and information other than AATI Discrete Technology and beyond the scope of this Agreement. Other Technology includes, without limitation, ModularBCD Technology as defined in the License Agreement (ModularBCD) between AATI and MAGNACHIP of even date with this Agreement.

1.27 "Party" means each of AATI and MAGNACHIP (and collectively **"Parties"** means both MAGNACHIP and AATI). The term Party (whether referred to as a "Party" or "Parties" or "AATI" or "MAGNACHIP") does not include any affiliates of such Party except for wholly owned subsidiaries, unless expressly agreed upon in writing by both Parties. In addition, the terms Party, AATI, MAGNACHIP and Parties shall not include any assignees or successors in interest except as provided for under **Section 13.3.**

1.28 "Process Type" means the process variations of TrenchDMOS Technology in conductivity type, epitaxial doping, and gate oxide thickness that sets the device voltage ratings for drain minimum avalanche breakdown (i.e., BV_{DSS}) and for maximum gate voltage (i.e., itsV_{GS}(max) specification). **Process Types** are coded by their ratings using the nomenclature Polarity-BV_{DSS} - -V_{GS}(max). A TrenchDMOS Process Type P3020, for example, refers to a P-channel device with a 30V drain rating and a 20V maximum gate voltage rating. Other **Process Types** in TrenchDMOS Technology include; P2012, P1208, N3020, N3012, and N2012.

1.29 "Products" means semiconductor devices; integrated circuits, discrete transistors; or semiconductor components; whether in wafer form or separated into individual dice (chips), whether assembled into packages, modules, chip-scale packages, bumped, or otherwise unassembled, whether tested or untested. Products include both Competing Products and Non-Competing Products.

1.31 "Customer" means any third party purchaser of products under this Agreement who is not an affiliate, parent company or subsidiary of MAGNACHIP or AATI.

1.32 "Release-to-Manufacturing (RTM) Date" means the date when the first TrenchDMOS Product using TrenchDMOS Technology is successfully qualified for a particular TrenchDMOS Process Type, i.e., for a given drain and gate voltage specification. The **RTM Date** requires the successful fabrication and burn-in qualification of three (3) wafer runs of said Product for that Product Type. Thereafter both Product and TrenchDMOS Technology are qualified and manufacturing production *for that particular* Process Type can commence. Each specific Process Type (e.g. N2012, P3020) will require separate qualification to constitute a Release-to-Manufacturing (RTM) for that Process Type.

1.33 "Third Party" means any company, corporation, partnership, person or commercial entity other than a Party.

2. TERMINATION OF ORIGINAL AGREEMENT

AATI and MAGNACHIP hereby tenninate the Original Agreement in its entirety, and notwithstanding anything therein to the contrary all terms and conditions thereof are hereby terminated, no longer in force or effect and hereby replaced by the terms and conditions of this Agreement; *provided however,* (1) all Confidential Information and technology delivered or provided under the Original Agreement is hereby deemed subject to the terms of this Agreement and (2) all amounts owing under the Original Agreement shall continue to be owed, and the respective audit and reporting provisions of the Restated Agreement shall apply thereto. The Parties hereby waive all rights to notice of termination as may be otherwise provided under the Original Agreement or applicable laws. Except as expressly provided herein, all other Agreements between the Parties remain in effect in accordance with their own terms.

3. LICENSE

3.1 License by AATI

(a) Subject to the terms and conditions set forth in this Agreement, AATI hereby grants and agrees to grant to MAGNACHIP, and MAGNACHIP accepts, the following license:

(i) a non-exclusive and non-transferable (except pursuant to **Section 13.3),** license under the AATI Intellectual Property to:

(1) make at the Facility (but not have made elsewhere), design, develop, offer to sell, sell, use, import, and otherwise dispose of the MAGNACHIP Licensed Products;

(2) practice, at the Facility, any *process or method* involved in the manufacture or use of MAGNACHIP Licensed Products; and

(3) to make, use and have made any *manufacturing apparatus* involved in the manufacture or use of MAGNACHIP Licensed Products.

(ii) a non-exclusive nontransferable (except pursuant to **Section 13.3)** license under the AATT Intellectual Property to use the AATI Discrete Technology for the sole purpose of manufacturing and repairing AATI Products, at the Facility, for distribution to AATI and such other third parties that AATI may designate in writing from time to time.

(iii) a non-exclusive and non-transferable (except pursuant to **Section 13.3),** license on a world-wide basis under the AATI Intellectual Property to use, reproduce modify and make derivative works of the copyrightable materials of the AATI Discrete Technology solely for use in connection with the exercise of the license granted in **Section 3.1(a)(i)** and **(ii).**

(b) MAGNACHIP Licensed Products shall be royalty-bearing in accordance with **Section 6.**

(c) MAGNACHIP shall have no license under the AATI Intellectual Property to supply AATI Products or Competing Products to any party other than AATI or, in the case of Competing Products only, to the Customers designated on **Exhibit H's** without AATI's prior written approval. Further, for clarity and notwithstanding anything to the contrary set forth in this Agreement, to the extent **(i)** a MAGNACHIP License Product includes or relies upon both AATI Discrete Technology and Other Technology, or (ii) the practice of any rights granted under this **Section 3.1** infringes or misappropriates any AATI Intellectual Property due to such Other Technology, then (iii) the use of the Other Technology shall not be considered licensed under this

Agreement, but shall instead require a separate license from AATI (which AATI may grant or withhold in its sole discretion). The parties acknowledge that AATI and MAGNACHIP have executed a separate License Agreement (ModularBCD) concurrently with this Agreement.

(d) MAGNACHIP shall have the right, upon prior approval of AATI in writing, to sublicense to Third Parties its right under **Section 3.1(a).** Except as expressly provided in this **Section 3.1,** MAGNACHIP shall have no right to sublicense the rights granted in this **Section 3.1.**

3.2 License by MAGNACHIP

(a) Subject to the terms and conditions set forth in this Agreement, MAGNACHIP hereby grants and agrees to grant to AATI, and AATI accepts, a non-exclusive, irrevocable, royalty free, fully paid-up and non-transferable (except pursuant to Section **13.3,** and, under no circumstances, to any other manufacturer of the Products apart from MAGNACHIP), and only for the Term of this Agreement, license on a world-wide basis under the MAGNACHIP Intellectual Property to:

(i) make and have made AATI Licensed Products solely in the Facility,

(ii) offer to sell, sell, use, design, develop, import, and otherwise dispose of AATI Licensed Products made or to be made in the Facility,

(iii) practice, solely within the Facility, any *process or method* involved in the manufacture of the AATI Licensed Products,

(iv) to practice any process or method involved in the use of the AATI Licensed Products made in the Facility, and

(v) make and have made any *manufacturing apparatus* involved in the manufacture or use of AATI Licensed Products that incorporates or is based upon MAGNACHIP Technology and to use such apparatus exclusively at the Facility.

3.3 Restrictions. Except as expressly authorized herein, in no event shall MAGNACHIP utilize any AATI Discrete Technology in connection with the design, manufacturing, distribution or sale of any Competing Product without the prior written permission of AATI. In no event shall MAGNACHIP utilize any AATI Discrete Technology in connection with the design, manufacturing, distribution or sale of any Product that includes an integrated circuit and a Product that uses AATI Discrete Technology in a single package without the prior written permission of AATI. MAGNACHIP agrees to provide AATI at least thirty (30) days prior written notice prior to MAGNACHIP**'s** manufacture, distribution or sale (or assisting others with regard to the same) of any Competing Product, except as provided for under **Exhibit H.** At no time may AATI utilize MAGNACHIP Licensed Products or MAGNACHIP Intellectual property in connection with the design or manufacturing of AATI Products or AATI Licensed Products outside of MAGNACHIP's Facility without MAGNACHIP's expressed written approval.

4. OWNERSHIP AND RESERVATION

4.1 By AATI. Subject to the rights granted to or retained by MAGNACHIP under **Sections 3, 4.2** and **4.3,** the Parties acknowledge and agree that as between the Parties, all title to and ownership of all AATI Intellectual Property and AATI Discrete Technology not expressly granted herein shall remain the sole and exclusive property of AATI. Nothing herein shall be construed as granting MAGNACHIP any ownership rights

in the AATI Intellectual Property and AATI Discrete Technology. AATI grants no rights, license or title to its technology beyond the scope of this Agreement, unless otherwise agreed to in writing by both parties.

4.2 By MAGNACHIP Subject to the rights granted to or retained by AATI under **Sections 3, 4.1** and **4.3,** the Parties acknowledge and agree that as between the Parties, all title to and ownership of all MAGNACHIP Technology and MAGNACHIP Intellectual Property not expressly granted herein shall remain the sole and exclusive property of MAGNACHIP. Nothing herein shall be construed as granting AATI any ownership rights in the MAGNACHIP Intellectual Property and MAGNACHIP Technology. MAGNACHIP grants no rights, license or title to its technology beyond the scope of this Agreement, unless otherwise agreed to in writing by both parties.

4.3 Improvements. With respect to any Improvements, ownership shall be allocated as follows:

(a) **AATI Improvements.** All Improvements to AATI Discrete Technology that are created or conceived solely by AATI shall be solely owned by AATI (the **"AATI Improvements").** AATI shall own all right, title, and interest in the **AATI Improvements** and all Intellectual Property therein (excluding MagnaChip' rights in and ownership of any Joint Improvement under **Section 4.3(c)** below), AATI shall have the exclusive right to apply for or register any patents, mask work rights, copyrights, and such other proprietary protections with respect thereto. Nothing herein shall be construed as granting MAGNACHIP any ownership rights in the AATI Intellectual Property and AATI Discrete Technology. AATI grants no rights, license or title to such technology and/or Intellectual Property outside the scope of this Agreement.

(b) **MAGNACHIP Improvements** All Improvements to MAGNACHIP Technology that are created or conceived solely by MAGNACHIP shall be solely owned by MAGNACHIP (the **"MAGNACHIP Improvements"**). MAGNACHIP shall own all right, **title,** and interest in the MAGNACHIP Improvements, and all Intellectual Property therein (excluding AATPs rights in and ownership of any Joint Improvement under **Section 4.3(c)** below). MAGNACHIP shall have the exclusive right to apply for or register any patents, mask **work** rights, copyrights, and such other proprietary protections with respect thereto. Nothing herein shall be construed as granting AATI any ownership rights in the MagnaChip Intellectual Property and MagnaChip Technology. MagnaChip grants no rights, license or title to such technology and/or Intellectual Property outside the scope of this Agreement.

(c) **Joint Improvements.** Any Improvement which is jointly created or conceived by the Parties pursuant to this Agreement shall:

(i) if created or conceived as an Improvement to AATI Discrete Technology as a result of the licenses granted to MAGNACHIP in **Section 3** or access to the AATI Discrete Technology or AATI Confidential Information, be considered:

(1) a **"Joint Improvement"** under this **Section 4.3(c),** if falling *outside* the AATI Field; or

(2) an **"AATI Improvement"** under **Section 4.3(a),** if falling *within* the AATI Field; and

(ii) if created or conceived as an Improvement to MAGNACHIP Technology as a result of the licenses granted to AATI in **Section 3** or access to the MAGNACHIP Technology or MAGNACHIP Confidential Information, be considered:

(1) a **"Joint Improvement"** under this **Section 4.3(c),** if falling *outside* the MAGNACHIP Field; or

(2) a **"MAGNACHIP Improvement"** under **Section 4.3(b),** if falling *within* the MAGNACHIP Field.

(iii) The Parties shall cooperate with each other in obtaining and securing all possible United States and foreign rights to the Joint Improvements and enforcing such rights. The Parties agree to meet and confer prior to any public dissemination, use or sale of **Joint Improvement** in order to ensure that any related patent applications have been filed prior to such event, and shall not make such dissemination, use or sale of Joint Improvement until related patent applications have been filed. The Parties shall share equally in the costs of obtaining Joint Improvement rights which are jointly owned, including but not limited to the costs of preparing, filing and prosecuting applications and patent maintenance fees. If a Party determines that it does not want to pursue or continue to pursue obtaining a particular **Joint Improvement** right which otherwise would be jointly owned, and the other Party elects to do so (the "electing party"), the cost related to that particular Joint Improvement right shall be borne solely by the electing Party and the electing Party shall have sole and full ownership of such **Joint Improvement** right, including any derivatives, continuations, divisions, reissues and reexaminations of that **Joint Improvement** right.

(iv) MAGNACHIP hereby irrevocably transfers, conveys and assigns to AATI all of its right, title, and interest in any Improvements described in **Section 4.3(c)(i)(2)** (AATI Improvement). MAGNACHIP shall execute such documents, render such assistance, and take such other action as AATI may reasonably request, at AATI's expense, to apply for, register, perfect, confirm, and protect AATI rights to such Improvements, and all Intellectual Property therein. AATI hereby irrevocably transfers, conveys and assigns to MAGNACHIP all of its right, title, and interest in any Improvements described in **Section 4.3(c)(ii)(2)** (MAGNACHIP Improvement). AATI shall execute such documents, render such assistance, and take such other action as MAGNACHIP may reasonably request, at MAGNACHIP's expense, to apply for, register, perfect, confirm, and protect MAGNACHIP's rights to such Improvements, and all Intellectual Property therein.

(v) MAGNACHIP and AATI shall each have the right to exploit all Joint Improvements (that are not AATI Improvements or MAGNACHIP Improvements) without being required any additional payment to the other, *provided however*, in the event a Party refuses to cooperate and pay costs related to the Joint Improvement under **Section 4(c)(iii),** such Party shall nave no rights to use or exploit such Joint Improvement under the terms of this Agreement.

(d) **Independently Developed.** Notwithstanding the above, to the extent that any Improvements is solely created by a Party under this Agreement, without reference or use of the other Party's Technology, Intellectual Property or Confidential Information (as defined below), then such Party shall exclusively own such Improvements.

4.4 Waiver of Moral Rights. Each party hereby waives any and all "moral rights," meaning any right to identification of authorship or limitation on subsequent modification that a party (or its employees, agents or consultants) has or may have in the other party's Improvements, to the extent recognized by applicable law consistent with Berne Convention, art. 6bis.

4.5 Attorney in Fact. Each Party assigning any rights under this **Section 4** hereunder (the **"Assignor")** agrees that if the other Party (the **"Assignee")** is unable because of Assignor's unavailability, dissolution or incapacity, or for any other reason, to secure Assignor's signature to apply for or to pursue any application for any United States or foreign patents or mask work or copyright registrations covering the inventions assigned to Assignee above, then Assignor hereby irrevocably designates and appoints the company and its duly authorized officers and agents as Assignor's agent and attorney in fact, to act for and in Assignor's behalf and stead to execute and file any such applications and to do all other lawfully pennitted acts to further the prosecution and issuance of patents, copyright and mask work registrations thereon with the same legal force and effect as if executed by Assignor. This power of attorney is deemed coupled with an interest and is irrevocable.

4.6 Non-Exclusive Arrangement. Nothing in this Agreement shall be construed to limit AATI's rights to manufacture, distribute or take any other action with respect to the AATI Products, AATI Discrete Technology, AATI Improvements or AATI Confidential Information or to authorize any other persons to do any of the foregoing except as it relates to MAGNACHIP Technology or *Improvements to MAGNACHIP Technology* pursuant to **Section 4.3**. Likewise nothing in this Agreement shall be construed to limit MAGNACHIP's rights to manufacture, distribute or take any other action with respect to the MAGNACHIP Products, MAGNACHIP Technology, MAGNACHIP Improvements or MAGNACHIP Confidential Information or to authorize any other persons to do any of the foregoing, except as it relates to AATI Discrete Technology or *Improvements to* AATI Discrete Technology pursuant to **Section 4.3**

5. TECHNOLOGY DELIVERY & IMPLEMENTATION.

5.1 AATI Discrete Technology. As of the Effective Date, AATI has delivered to MAGNACHIP the AATI Discrete Technology as outlined in **Exhibit E.** AATI may (but is not obligated to) supplement the AATI Discrete Technology.

5.2 MAGNACHIP Technology; Upon the recommendation of MAGNACHIP or upon agreement of both Parties, MAGNACHIP will deliver to AATI the **MAGNACHIP Technology** listed in **Exhibit F** that may be applicable and useful in adapting and implementing the AATI Discrete Technology in said Facility. It is understood by both Parties that the applicability of such **MAGNACHIP Technology** to AATI Discrete Technology Implementation may vary by Facility. Thereafter, as agreed upon by both Parties, certain processing steps, **methods,** or features in the AATI Discrete Technology (such as unit process steps in the TrenchDMOS process flow) may be adapted to incorporate **MAGNACHIP Technology** or variants thereof. MAGNACHIP may (but is not obligated to) supplement the **MAGNACHIP Technology** at a later date.

5.3 AATI Discrete Technology Implementation. Both Parties have, as of the Effective Date, implemented, the AATI Discrete Technology in said Facility in accordance with the procedures for AATI Discrete Technology Implementation as described in **Exhibit G.**

(i) **Adapting AATI Discrete Technology for Facility.** In the event that AATI Discrete Technology is adapted or modified to best match or fit said Facility by utilizing MAGNACHIP Technology in certain steps or processes, such steps or techniques that constitute MAGNACHIP Technology shall remain the property of MAGNACHIP. Those portions of the AATI Discrete Technology not using MAGNACHIP Technology along with the integrated process flow of TrenchDMOS Technology constitute AATI Discrete Technology and shall remain the property of AATI.

(ii) Initial AATI Discrete Technology Implementation. The initial implementation of AATI Discrete Technology in said Facility does NOT constitute an Improvement to AATI Discrete Technology.

(iii) **Initial AATI Discrete Technology Implementation Milestones.** Both Parties will use commercially reasonable efforts to meet the milestones of the initial AATI Discrete Technology Implementation including efforts to meet the objective *Release-to-Manufacturing (RTM) Date*

6. ROYALTIES AND PAYMENT TERMS.

6-1 Royalty.

(a) MAGNACHIP shall pay [*****] royalty for Products its produces for and sells to AATI (or AATI's affiliate as designated in writing by contract from AATI). AATI's wafer price from MAGNACHIP is covered under the AATI MAGNACHIP supply agreement and is not covered by this Agreement.

(b) In the case of Non-Competing Products, MAGNACHIP shall pay AATI [*****] royalty of Net Sales of all wafers produced using or incorporating the AATI Intellectual Property licensed herein (such MAGNACHIP payment to be offset by any payment due from AATI pursuant to Section 5.4 below); provided, however, that the Parties agree that the foregoing royalty rate is based on a presumption of a [*****] withholding tax rate as of the Effective Date, and so the Parties agree to negotiate in good faith an increase or decrease in such royalty rate at any time the withholding tax rate changes after the Effective Date. Customer shall be responsible for its own designs or pay for AATI's design with a release to AATI. Customer and/or MagnaChip shall be responsible for the qualification, orders, shipping logistics and quality.

(c) In the case of Competing Products, MAGNACHIP shall pay AATI the royalty identified in **Exhibit H** of Net Sales to the identified Customer of all wafers produced using or incorporating the AATI Intellectual Property licensed herein. The Parties anticipate that such royalties will be [*****] (depending on volume) of such Net Sales to the identified Customers of all wafers, or as otherwise agreed to by both parties in writing.

(d) Both parties agree that they will review the pricing structure hereunder on an annual basis to ensure the pricing structure is mutually agreeable, and adjust such accordingly. In the event that a customer provides the Starting Material, the parties agree to adjust the foregoing Net Sales price by (I) deducting the actual third party costs of such Starting Material or (2) otherwise agreeing upon a commercially reasonable value for Starting Material and deducting such agreed upon value from the Net Sales price. AATI reserves the right to charge additional consideration directly to such customers (as opposed to MAGNACHIP) for such Competing Products. In such cases, (1) MAGNACHIP makes no representation to AATI with respect to the qualification and product quality; (2) AATI, at its election, may choose to assist such customers with respect to qualification and product quality; and (3) as between AATI and MAGNACHIP, MAGNACHIP shall be responsible for shipping logistics, orders and process quality of wafers.

6.2 Payment Within thirty (30) days following the end of each calendar quarter, MAGNACHIP and AATI shall pay their respective royalty payments on invoices paid by the third party in U.S. Dollars and shall include a report sufficient to show the basis for calculation of the royalty payments made hereunder, including without limitation, quantity and identification of all Competing and Non-Competing Products ("**Report**"). Upon AATI approval, in lieu of payment on a quarterly basis MAGNACHIP may pay such outstanding royalties by issuing a credit against outstanding AATI invoices or toward new wafer starts for Products from MAGNACHIP.

6.3 Records and Audit. Each party shall retain records and supporting documentation sufficient to document the fee payable under this Agreement in any particular quarter in which this Agreement is in effect for at least three years following the end of such quarter and its compliance with **Section 6.2.** Upon prior

[*****] - Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

reasonable written notice of no less than sixty (60) days by one party, the other party shall provide to a nationally recognized independent public accounting firm (the **"Auditors"**) designated in writing by that party access during normal business hours to the audited party's personnel, outside accountants and data and records maintained in connection with this Agreement, in each case to the extent necessary or appropriate for the purpose of determining whether (i) calculations of the royalties payable under this Agreement are accurate and in accordance with this Agreement and/or (ii) MAGNACHIP has offered most favorable pricing to AATI in accordance with **Section 6.2** (an **"Audit").** Audits will be conducted no more frequently than once per calendar year. Each Party agrees to use commercially reasonable efforts to assist such Auditors in connection with such Audits. Any such Audits shall be conducted at the requesting party's sole cost and expense.

6.4 Taxes. Each Party shall bear any and all taxes and other charges incurred by or levied on it by its own country in connection with this Agreement, provided, however, that AATI shall bear fifty percent (50%) of any withholding or similar tax for foreign payments that is levied by the Korean Government upon any amounts due from MAGNACHIP to AATI under this Agreement, and MAGNACHIP is entitled to offset such AATI payment obligation from any amounts actually paid by MAGNACHIP to AATI under this Agreement, including but not limited to amounts due pursuant to **Sections 6.1(b)** and **6.1(c)** above. MAGNACHIP will furnish AATI with each tax receipt issued by the Korean taxing authority to assist AATI in obtaining the credit in the United States.

7. WARRANTY AND DISCLAIMER.

7.1 General. Each Party represents and warrants to the other that:

(a) it has all requisite corporate power and authority to enter into this Agreement and to carry out the transactions contemplated by this Agreement; and

(b) the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated by this Agreement have been duly authorized by all requisite corporate action on the part of such Party

7.2 EXCEPT FOR THE EXPRESS WARRANTIES SET FORTH IN THIS **SECTION 7,** NEITHER PARTY MAKES ANY OTHER WARRANTIES WITH RESPECT TO THE TECHNOLOGY AND INTELLECTUAL PROPERTY RIGHTS LICENSED HEREUNDER, WHETHER EXPRESSED OR IMPLIED, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR OF FITNESS FOR A PARTICULAR PURPOSE OR NON-INFRINGEMENT.

8. TERM AND TERMINATION OF AGREEMENT.

8.1 Term. This Agreement shall have an initial term of three (3) years but shall be automatically renewed thereafter (and after each subsequent renewal term) for a renewal term of one year unless, at least sixty (60) days prior to the date of any such renewal, either Party hereto shall have given notice in writing to the other of its intention to terminate the Agreement. This Agreement shall thereafter be automatically terminated at the end of the term during which such notice is given.

8.2 Termination for Default. Should either Party materially default in the performance of any term or condition of this Agreement (a **"Default"),** in addition to all other legal rights and remedies, the other Party may terminate this Agreement by giving thirty (30) days written notice of said Default unless such Default is corrected within the notice period.

8.3 Termination for Bankruptcy: Either Party may terminate this Agreement by written notice in the event that the other Party makes an assignment for this benefit of creditors, or admits in writing inability to pay debts as they become due; or a Trustee or receiver for any substantial part of its assets is appointed by any court; or a proceeding is instituted under a provision of the Federal Bankruptcy Act by or against the other Party and is acquiesced in or is not dismissed within 60 days or results in an adjudication in bankruptcy. An assignment by AATI of all or part of its rights to payment hereunder as part of a working capital financing shall not be deemed cause for termination under this paragraph.

8.4 Effect of Termination. Upon termination or expiration of this Agreement for any reason, all licenses shall immediately terminate. Each Party shall return the Confidential Information of the other Party within thirty (30) days after the effective date of such termination or expiration. In addition **Sections 1, 2, 4, 6.3, 7, 8, 9, 10, 11, 12 and 13** shall survive any expiration or termination of this Agreement.

9. INTELLECTUAL PROPERTY RIGHTS INDEMNITY.

9.1 By MAGNACHIP.

(a) MAGNACHIP will defend or settle, at its expense, all claims, proceedings and/or suits brought by Third Parties against AATI, its Affiliates (including their directors, officers, and employees) and customers alleging that the MAGNACHIP Technology as provided by MAGNACHIP to AATI hereunder infringes or violates any patent, copyright, trade secret or other intellectual property right (herein "**Infringement Claim**") and will indemnify AATI from and pay all litigation costs, reasonable attorney's fees, settlement payments (subject to reasonable approval by MagnaChip) and damages awarded by a court having jurisdiction over such Infringement Claim with respect to any Infringement Claim; and provided that MAGNACHIP shall be relieved of its obligations under this **Section 9.1** unless AATI promptly notifies MAGNACHIP in writing of any such Infringement Claim and gives MAGNACHIP sole control, full authority, information and assistance (at MAGNACHIP's expense) for the defense or settlement of such Infringement Claim.

(b) Without limiting its obligations under **Section 9.1(a),** when notified of an action or motion that seeks to restrict the use, sale and/or distribution of any MAGNACHIP Technology hereunder (or part thereof), MAGNACHIP may but is not required nor obligated to, at its option and expense, (1) obtain the right for AATI to use the MAGNACHIP Technology as licensed hereunder, (2) substitute other functionally equivalent technology that does not infringe, or (3) modify such MAGNACHIP Technology so that it no longer infringes.

(c) Notwithstanding any provision to the contrary, the indemnification obligations in this **Section 9.1** shall not be applicable to the extent an Infringement Claim arises from (l) use of the MAGNACHIP Technology in violation of the license terms herein, (2) the modification of any MAGNACHIP Technology by AATI, or (3) a combination of the MAGNACHIP Technology with other technology not provided by MAGNACHIP. THE FOREGOING **SECTION 9.1** STATES THE SOLE LIABILITY OF MAGNACHIP, AND THE SOLE REMEDY OF AATI, WITH RESPECT TO INFRINGEMENT OR MISAPPROPRIATION OF ANY PATENT, COPYRIGHT, TRADE SECRET OR OTHER INTELLECTUAL PROPERTY RIGHT BY THE MAGNACHIP TECHNOLOGY OR MAGNACHIP INTELLECTUAL PROPERTY UNDER THIS AGREEMENT.

9.2 By AATI.

(a) AATI will defend or settle, at its expense, all claims, proceedings and/or suits brought by Third Parties against MAGNACHIP, its Affiliates (including their directors, officers, and employees) alleging

that AATI Discrete Technology as provided by AATI to MAGNACHIP hereunder infringes or violates any patent, copyright, trade secret or other intellectual property right (herein "**Claim**") and will indemnify MAGNACHIP from and pay all litigation costs, reasonable attorney's fees, settlement payments (subject to AATI's reasonable approval) and damages awarded by a court having jurisdiction over such Claim with respect to any such Claim; and provided that AATI shall be relieved of its obligations under this **Section 9.2** unless MAGNACHIP promptly notifies AATI in writing of any such Claim and gives AATI sole control, full authority, information and assistance (at AATI's expense) for the defense or settlement of such Claim.

(b) Without limiting its obligations under **Section 9.2**(a), when notified of an action or motion that seeks to restrict the use, sale and/or distribution of any AATI Discrete Technology hereunder, (or part thereof), AATI may but is not required nor obligated to, at its option and expense, (1) obtain for MAGNACHIP the right to use the AATI Discrete Technology licensed hereunder, (2) substitute other functionally equivalent technology that does not infringe, or (3) modify such technology so that it no longer infringes.

(e) Notwithstanding any provision to the contrary, the indemnification obligations in this **Section 9.2** shall not be applicable to the extent a Claim arises from (I) use of the AATI Discrete Technology in violation of the license terms herein or (2) modification of the AATI Discrete Technology by a party other than AATI, or (3) a combination of the AATI Discrete Technology with other technology not provided by AATI or (4) MAGNACHIP acting as a foundry to any Third Party that is an AATI Intellectual Property licensee, provided, however, that AATI has, in its written consent granting permission to MAGNACHIP to act as a foundry to such Third Party licensee, provided a written representation reasonably satisfactory to counsel to MAGNACHIP that AATI has indemnified such Third Party licensee from and against all claims, proceedings and/or suits brought against the Third Party licensee and alleging that AATI intellectual property as provided by AATI to the Third Party licensee infringes or violates any patent, copyright, trade secret or other intellectual property right. THE FOREGOING **SECTION 9.2** STATES THE SOLE LIABILITY OF AATI, AND THE SOLE REMEDY OF MAGNACHIP, WITH RESPECT TO INFRINGEMENT OR MISAPPROPRIATION OF ANY PATENT, COPYRIGHT, TRADE SECRET OR OTHER INTELLECTUAL PROPERTY RIGHT BY AATI DISCRETE TECHNOLOGY PROVIDED TO MAGNACHIP BY AATI UNDER THIS AGREEMENT.

(d) AATI will provide indemnity to Customers on substantially the same terms provided to MAGNACHIP as described in this **Section 9.2** provided that 1) MAGNACHIP has identified to AATI in writing any Customer for which indemnity is sought prior to any sales to that Customer under this Agreement and 2) AATI has not specifically rejected such Customer in writing within fifteen (15) business days of MAGNACHIP'S notification thereof.

10. OTHER INDEMNITIES. Notwithstanding anything to the contrary in this Agreement or any Exhibit hereto, each Party agrees to defend, indemnify and hold the other harmless from and against any and all claims, liability for damages, costs and expenses (including reasonable attorney's fees and disbursements) for any noncompliance by said Party or its Affiliates or agents with the laws, rules or regulations of any jurisdiction, including export control laws.

11. LIMITATION OF LIABILITY.

EXCEPT FOR A BREACH OF **SECTIONS 3.1(c)** or **12** or LIABILITY UNDER **SECTIONS 9 AND 10,** IN NO EVENT WILL EITHER PARTY BE LIABLE FOR LOST PROFITS OR ANY CONSEQUENTIAL, SPECIAL, PUNITIVE, INCIDENTAL, OR INDIRECT DAMAGES, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY (INCLUDING WITHOUT LIMITATION, NEGLIGENCE), ARISING OUT OF OR RELATED TO THIS AGREEMENT WHETHER OR NOT SUCH

PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. EACH PARTY ACKNOWLEDGES THAT FEES AGREED UPON BY THE PARTIES ARE BASED IN PART UPON THESE LIMITATIONS, AND THAT THESE LIMITATIONS WILL APPLY NOTWITHSTANDING ANY FAILURE OF ESSENTIAL PURPOSE OF ANY REMEDY. NOTWITHSTANDING THE FOREGOING, THIS LIMITATION OF LIABILITY SHALL NOT APPLY TO ANY CLAIM WITH RESPECT TO DEATH OR PERSONAL INJURY.

EXCEPT FOR A BREACH OF **SECTIONS 3.1(c) or 12,** IN NO EVENT SHALL EITHER PARTY'S LIABILITY UNDER THIS AGREEMENT EXCEED THE AMOUNT OF U.S.FIVE MILLION DOLLARS (US$5,000,000.00) IN THE AGGREGATE.

12. CONFIDENTIALITY OF INFORMATION.

12.1 Each Receiving Party shall safeguard the Confidential Information and keep it in strict confidence, and shall use reasonable efforts, consistent with those used in the protection of its own confidential information of similar nature and significance, to prevent the disclosure of such Confidential Information to Third Parties.

12.2 A Receiving Party shall limit the dissemination of the Confidential Information to only its shareholders, directors, officers, employees and agents, who have a specific need to know such Confidential Information for the purpose for which such Confidential Information is disclosed and prevent the dissemination of such Confidential Information to Third Parties; *provided however* a Receiving Party may disclose Confidential Information of the a Disclosing Party to the extent required to do so under applicable law. In the event such disclosure is required, the Receiving Party shall provide prompt prior written notice to the Disclosing Party, shall use commercially reasonable efforts to limit any such disclosure, shall cooperate in a reasonable manner with the Disclosing Party in resisting such disclosure, and provide sufficient time, if possible, for the Disclosing Party to seek a protective order or other legal recourse against disclosure.

12.3 Each Receiving Party shall not use or disclose the Confidential Information for any purposes other than for the performance of this Agreement.

12.4 The Parties shall keep the terms of this Agreement confidential and shall not now or hereafter divulge these terms to any Third Party except:

(a) with the prior written consent of the other Party; or

(b) to any governmental body having jurisdiction to call therefore; or

(c) as otherwise may be required by law or legal process, including to legal and financial advisors in their capacity of advising a Party in such matters; or

(d) to the extent reasonably necessary to comply with United States law in a filing with the Securities and Exchange Commission, or other governmental agency; or

(e) during the course of litigation so long as the disclosure of such terms and conditions are restricted in the same manner as is the confidential information of other litigating Parties and so long as (1) the restrictions are embodied in a court-entered protective order and (2) the disclosing Party informs the other Party in writing at least ten (10) days in advance of the disclosure; or

(f) in confidence to legal counsel, accountants, banks and financing sources and their advisors solely in connection with financial transactions or other corporate transactions, and said persons are held to the same level of confidentiality as set forth herein.

12.5 Nothing contained in this **Section 12** shall be construed as granting or conferring any rights, licenses or establishing relationships by the disclosure or transmission of a Disclosing Party's Confidential Information.

12.6 All Confidential Information disclosed to or received by a Receiving Party's under this Agreement shall always remain the property of the Disclosing Party, except for the license granted herein or other terms or conditions expressly provided herein. Upon the expiration or termination of this Agreement, the Receiving Party shall return to the Disclosing Party all Confidential Information and any documents or storage media (including any and all transcripts and copies thereof) recording such Confidential Information.

12.7 The confidentiality obligations set forth in this Article shall not apply to any information which:

(a) is already known by the Receiving Party at the time of its receipt from the Disclosing Party; or

(b) is or becomes publicly available or known through no breach of this **Section 12,** or any other agreement between the Parties by the Receiving Party; or

(c) is made available to a Third Party by the Disclosing Party without any restriction on disclosure; or

(d) is rightfully received by the Receiving Party from a Third Party who is not restricted from disclosing such information and is not in wrongful possession of such information; or

(e) can be demonstrated has been independently developed by the Receiving Party without reference to the Disclosing Party's Confidential Information; or

(f) is disclosed with the prior written consent of the Disclosing Party.

12.8 Each Receiving Party acknowledge that any disclosure or dissemination of any Confidential Information of the Disclosing Party which is not expressly authorized under this Agreement is likely to cause irreparable injury to such Disclosing Party, for which monetary damages is not likely to be an adequate remedy, and therefore such Party shall be entitled to equitable relief, without the posting of bond or security, in addition to any remedies it may have under this Agreement or at law.

13. GENERAL.

13.1 Independent Contractors. The Parties hereto are independent contractors. Nothing contained herein will constitute either Party the agent of the other Party, or constitute the Parties as partners or joint ventures. MAGNACHIP shall make no representations or warranties on behalf of AATI with respect to the MAGNACHIP Licensed Products or AATI Discrete Technology.

13.2 Days. Unless otherwise indicated, the term "days" used in this Agreement is assumed to be calendar days.

13.3 Assignment. Neither Party may assign or delegate this Agreement or any of its licenses, rights or duties under this Agreement, directly or indirectly (in a single transaction or any series of transactions), by operation of law or otherwise, without the prior written consent of the other Party. Notwithstanding, a Party may assign this Agreement to an affiliate of such Party and in the case of a re-incorporation, reorganization or a sale or other transfer of substantially all such Party's assets or equity, including, without limitation, either Party's right to sell all or spin-off all or substantially all of its assets to which this Agreement relates, whether by sale of assets or stock or by merger or other reorganization that the assignee has agreed in writing to be bound by all the terms and conditions of this Agreement, and further, provided that in no event shall either party (or its permitted successors) assign or transfer (in a single transaction or any series of transactions) this Agreement or any of its licenses, rights or duties hereunder, to a party primarily engaged in the manufacture, marketing or sale of a product that directly competes with the products of the other party without the prior written permission of such other party. Upon any such attempted prohibited assignment or delegation, such assignment shall be deemed null and void, and this Agreement will immediately automatically terminate. Subject to the terms of this **Section 13.3,** this Agreement will inure to the benefit of each Party's successors and assigns.

13.4 Notices. Any notice required or permitted to be given by either Party under this Agreement will be in writing or by email and will be deemed given: (i) one day after pre-paid deposit with a commercial courier service (e.g., DHL, FedEx, etc.), (ii) upon receipt, if personally delivered, (iii) three days after deposit, postage pre-paid, with first class airmail (certified or registered if available), or (iv) upon receipt, when sent by facsimile or e-mail (with a confirmation copy to follow by regular U.S. Mail), in any such case, to the other Party at its address below, or to such new address as may from time to time be supplied hereunder by the Parties hereto:

Notice Address for AATI:

Advanced Analogic Technologies Inc.
830 E. Arques Ave.
Sunnyvale, California 94085
Attn: President
Tel: (408) 737-4600
Fax: (408) 737-4611
Email: richardwilliams@analogictech.com

Notice Address for MAGNACHIP:

MagnaChip Semiconductor, Ltd.
891 Daechi-dong Kangnam-gu, Seoul, South Korea, 135-738

Attn: EVP, GM of SMS Division	SVP, General Counsel and Secretary
Tel: 82-2-3459-3160	82-2-3459-3073
Fax: 82-2-3459-4698	82-23459-3898
Email: channy. Iee@magnachip.com	jmcfarland@magnachip.com

13.5 Export Regulations. MAGNACHIP understands and acknowledges that AATI is subject to regulation by agencies of the United States Government, including, but not limited to, the U.S. Department of Commerce, which prohibit export or diversion of certain technology to certain countries. Any obligations of AATI to provide technology are subject in all respects to such United States laws and regulations as from time to time govern the license and delivery of technology and services outside the United States. MAGNACHIP will comply with all applicable laws, and will not export, re-export, transfer, divert or disclose, directly or

indirectly, including via remote access, the AATI Discrete Technology, Products, or any confidential information contained or embodied in the AATI Discrete Technology or Products, or any direct product thereof, except as authorized under the Export Administration Regulations or other United States laws and regulations governing exports in effect from time to time.

13.6 Payment Payment must be in U.S. Dollars. All references to "dollars" or "$" in this Agreement mean United States dollars.

13.7 Legal Compliance. MAGNACHIP will comply with all applicable laws in connection with its performance under this Agreement.

13.8 Force Majeure. Neither Party shall be responsible for delays or failures in performance not within its reasonable control resulting from acts of God, strikes or other labor disputes, riots, acts of war, acts of terrorism, plagues and epidemics, governmental regulations superimposed after the facts, communication line failures, power failures, fire or other disasters beyond its control. If it appears that MAGNACHIP's performance hereunder will be delayed for more than ninety (90) days, AATI shall have the right to terminate this Agreement, or to cancel without cancellation charges those Purchase Orders or portions thereof which are affected by the delay.

13.9 Language. This Agreement is in the English language only, which language will be controlling in all respects, and all versions hereof in any other language will not be binding on the Parties hereto. All communications and notices to be made or given pursuant to this Agreement must be in the English language. The Parties hereto confirm that it is their wish that this Agreement, as well as other documents relating hereto, including notices, have been and will be written in the English language only.

13.10 Governing Law. **The rights and obligations of the Parties under this Agreement will not be governed by the 1980 U.N. Convention on Contracts for the International Sale of Coods;** rather such rights and obligations will be governed by and construed under the laws of the State of California, without reference to its conflict of laws principles.

13.11 Arbitration. Any controversy or claim arising out of or relating to this Agreement, or the existence, validity, breach or termination of this Agreement, whether during or after its term, will be finally settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association ***("AAA"),*** as modified or supplemented as follows:

(a) To initiate arbitration, a Party will file the appropriate notice at the AAA. The arbitration proceeding will take place in San Francisco, CA or such other place as the Parties may agree in writing. The arbitration panel will be selected in accordance with the AAA standards. The Parties expressly agree that the arbitrators will be empowered to, at a Party's request, (i) issue an interim order requiring one or more other Parties to cease using and return the requesting Party's Confidential Information and/or (ii) grant injunctive relief.

(b) The arbitration award will be the exclusive remedy of the Parties for all claims, counterclaims, issues or accounting presented or pled to the arbitrators. The award will be granted and paid in U.S. Dollars exclusive of any tax, deduction or offset and will include reasonable attorneys fees and costs. Judgment on the arbitration award may be entered in any court that has jurisdiction thereof. Any additional costs, fees or expenses incurred in enforcing the arbitration award will be charged against the Party that resists its enforcement.

(c) Nothing in this **Section 13.11** will prevent a Party from seeking injunctive relief against another Party from any judicial or administrative authority pending the resolution of a dispute by arbitration. MAGNACHIP acknowledges that a violation of proprietary rights of AATI would result in irreparable injury entitling AATI to injunctive relief.

13.12 Modification and Waiver. No amendment, waiver or any other change in any term or condition of this Agreement will be valid or binding unless mutually agreed to in writing by both Parties. The failure of a Party to enforce any provision of this Agreement, or to require performance by the other Party, will not be construed to be a waiver, or in any way affect the right of either Party to enforce such provision thereafter.

13.13 Severability. If a court or other body of competent jurisdiction finds, or the Parties mutually believe, any provision of this Agreement, or portion thereof, to be invalid or unenforceable, such provision will be enforced to the maximum extent permissible so as to effect the intent of the Parties, and the remainder of this Agreement will continue in full force and effect. The Parties shall negotiate in good faith an enforceable substitute provision that most nearly achieves the intent and economic effect of such invalid or unenforceable provision.

13.14 [*****]

13.15 Entire Agreement. The terms and conditions of this Agreement, including all exhibits hereto, constitute the entire agreement between the Parties and supersede all previous agreements and understandings, whether oral or written, between the Parties hereto with respect to the subject matter hereof.

13.16 Authority

(i) **By AATI.** Execution or modification of this Agreement requires the approval of the President (or the CEO) and the Chief Technical Officer (CTO) Of AATI. No other employee of AATI can approve modifications to the Intellectual Property licenses contained herein.

(ii) **By MAGNACHIP.** Execution or modification of this Agreement requires the approval of a representative, officer or director of MAGNACHIP. No other employee of MAGNACHIP can approve modifications to the Intellectual Property licenses contained herein.

13.17 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be an original, and all of which taken together shall constitute a single instrument.

[*****] - Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement the date and the year herein above written.

MagnaChip Semiconductor, Ltd.:

By : /s/ Channy Lee

Name:	Channy Lee
Title:	Executive Vice President and General Manager of SMS Division
Address:	891 Daechi-dong Kangnam-gu, Seoul, South Korea, 135-738
Facsimile:	82-2-3459-4698

Advanced Analogic Technologies, Inc.:

By: /s/ Richard K. Williams

Name:	Richard K. Williams
Title:	President, Chief Executive Officer (CEO) and Chief Technical Officer (CTO)
Address:	830 E. Arques Ave. Sunnyvale, California 94085
Facsimile:	(408) 737-4611

This **Technology Licence Agreement** (the "Agreement") is made the 16th day of December 1996

BETWEEN

ADVANCED RISC MACHINES LIMITED whose registered office is situated at 90, Fulbourn Road, Cherry Hinton, Cambridge CBI 4JN, England ("ARM")

and

LG SEMICON COMPANY LIMITED whose principal place of business is situated at 16 Woomyeon-dong. Seocho-gu. Seoul 137-140, Korea ("LGS").

WHEREAS

LGS has requested ARM and ARM has agreed, to license LGS to manufacture and distribute certain ARM products and thereby to make use of certain portions of the Intellectual Property (as defined below) upon the terms set out in this Agreement.

In consideration of the mutual representations, warranties, covenants, and other terms and conditions contained herein, the parties agree as follows:

1. Definitions

1.1 "**ARM Compliant Product**" shall mean any single silicon chip developed by LGS which contains, at a minimum: (i) an ARM7TDMI Core; or (ii) a Modified ARM7TDMI Core, which has been verified in accordance with the provisions of Clause 3.

1.2 "**ARM7TDMI Core**" shall mean the device as described and identified in the ARM7TDMI datasheet identified in Schedule 2 Part A Item A1.

1.3 "**ARM Instruction Set**" shall mean both the ARM Instruction Set and THUMB Instruction Set as each are defined in the ARM Architecture and Reference Manual identified in Schedule 2 Part A Item A2.

1.4 "**Authorised Distributor**" shall mean those distributors appointed, in writing, by LGS.

1.5 "**AVS**" shall mean the ARM Architectural Validation Suite in binary code format Schedule 2 Part B Section 2 Item T3.

1.6 "**Confidential Information**" shall mean: (i) any trade secrets relating to the ARM7TDMI Core and Transfer Materials and the source code for any Software; (ii) any information designated in writing by either party as confidential which if disclosed verbally is reduced to writing within thirty (30) days after its oral disclosure; and (iii) the terms and conditions of this Agreement.

1.7 "**Core Functional Test Vectors**" shall mean the test vectors identified in Schedule 2 Part A Items B10, B11, B12 and B13.

1.8 "**Design Win Event**" shall mean for each different Design Win Product, the point in time of the sale, supply or other distribution of five hundred (500) units of such product.

1.9 "**Design Win Product**" shall mean an application specific product made by LGS, an LG Affiliate or LG Group Company, which incorporates an ARM Compliant Product.

[*****] - Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

1.10 "**Effective Date**" shall mean the date of this Agreement or the date upon which the Korean Government gives approval to this Agreement, whichever is the later, subject always to the provisions of Clause 18.4.

1.11 "**Embedded ICE**" shall mean the Embedded ICE Protocol Converter identified in Schedule 14.

1.12 "**End User Licence**" shall mean a licence agreement substantially conforming to that agreement set forth in Schedule 7.

1.13 "**Half Year**" shall mean each calendar half year ending the 30th June and 31st December of any year.

1.14 "**HP**" shall mean any Hewlett Packard compatible computer running HP-UX v9.0.5 (and later versions as may be mutually agreed).

1.15 "**IBM PC**" shall mean any computer. 486 (or above) processor based IBM AT architecture, having, at a minimum. 16Mb RAM. 50Mb hard disc space and running Microsoft DOS v6.2 (and later versions as may be mutually agreed) and, where appropriate, Microsoft Windows 95 or Windows NT. ARM will use reasonable endeavours, in collaboration with LGS, to ensure the Software operates on reputable IBM PC compatible computers provided that such operation is not constrained by significant hardware or software deficiencies.

1.16 "**Intellectual Property**" shall mean any patents, patent rights, trade marks, service marks, registered designs, topography or semiconductor maskwork rights, applications for any of the foregoing, copyright, know-how, unregistered design right, confidential information, any Intellectual Property Derivatives, and any other similar protected rights in any country, which are taken into use in the design, use or production of the ARM7TDMI Core. Software or Transfer Materials.

1.17 "**Intellectual Property Derivatives**" shall include: (i) for copyrightable or copyrighted material, any translation, abridgement, revision or other form in which an existing work may be recast, transformed or adapted; (ii) for work protected by topography or mask right, any translation, abridgement, revision or other form in which an existing work may be recast, transformed or adapted; (iii) for patentable or patented material, any improvement created by ARM; and (iv) for material protected by trade secret any new material derived from or employing such existing trade secret.

1.18 "**LG Affiliate**" shall mean each of the companies set forth in Schedule 10. An LG Affiliate shall cease to be an LG Affiliate when; (i) it is merged into a corporation other than an LG Group Company; or (ii) the majority of its voting shares becomes owned or controlled by a person, company or other legal entity other than an LG Group Company; or (iii) the Chief Executive Officer (referred to in Korean as "Hoejang") ceases to control directly or indirectly such LG Affiliate.

1.19 "**LG Group Company**" shall mean each of the companies identified in Schedule 8.

1.20 "**LGS Users**" shall mean LGS (or any LG Group Company) when incorporating an ARM Compliant Product, distributed pursuant to this Agreement, for use in LGS's (or such LG Group Company's) end user products.

1.21 "**LGS Materials**" shall mean such of the Transfer Materials (or any additional materials) as are necessary to enable ARM, in respect of any Modified ARM7TDMI Core, to exercise the rights set out in Clause 2.3.

1.22 "**Models**" shall mean: (i) the object code and source code of the programs identified in Schedule 3 Part A; (ii) the object code and such source code of the programs identified in Schedule 3 Part B as may be necessary (at ARM's absolute discretion) to allow the support of

subsequent releases of the specified simulator: and (iii) subject to the payment by LGS of the fee(s) set out in Clause 9.2, the object code and such source code of the programs identified in Schedule 3 Part C as may be necessary (at ARM's absolute discretion) to allow the support of subsequent releases of the specified simulator; together with such Updates thereof, if any, as are developed by or for ARM.

1.23 "**Modified ARM7TDMI Core**" shall mean any ARM7TDMI Core modified in accordance with the provisions of Clause 2.2.

1.24 "**NSP**" shall mean the net sales price of any ARM Compliant Product calculated by taking the aggregate invoice price charged on arm's length terms by LGS and its Subsidiaries in the sale or distribution of any ARM Compliant Product, less any (i) value added, turnover, import, or other tax, duty or tariff payable thereon (ii) freight and insurance costs incurred and (iii) amounts actually repaid or credited with respect to any ARM Compliant Products returned.

In the event that ARM, in its discretion, considers that the NSP for any ARM Compliant Product charged to LGS Users is materially below the open market value for such ARM Compliant Product, the NSP shall be deemed to be: in the case of the sale or distribution of any ARM Compliant Product to LGS Users, the net sales price for such ARM Compliant Product sold by LGS to third parties; and in the case of the sale or distribution of ARM Compliant Products manufactured for, and supplied solely to, LGS Users, at a minimum, the sum of:

(i) the cost of materials and the cost of fabrication or such other processing of such ARM Compliant Product; and

(ii) an amount for general expenses and profit equal to that usually reflected in the sales to third parties of products of the same general class or kind as the ARM Compliant Product; and

(iii) the cost of all packaging.

1.25 "**PIV Card**" shall mean the hardware identified in Schedule 2 Section 1 Part A as Item E1.

1.26 "**Software**" shall mean together the Models, Tools, Test Programs, Embedded ICE and Vectors.

1.27 "**Subsidiary**" shall mean any company the majority of whose voting shares is now or hereafter owned or controlled, directly or indirectly, by a party hereto or any company a majority of whose voting shares is now or hereafter owned or controlled, directly or indirectly, by any of the aforementioned entities. A company shall be considered a Subsidiary only so long as such control exists.

1.28 "**Sun/SunOS**" shall mean any Sun/SPARC compatible computer running SunOS v4.1.3_u1 (and later versions as may be mutually agreed).

1.29 "**Test Programs**" shall mean the source code and object code of the programs identified in Schedule 2 Part B Section 1 Items T1 and T2 together with such Updates, if any, as are developed by or for ARM.

1.30 "**Test Chip**" shall mean a device which complies with the test chip specification set forth in Schedule 2 Part A Item D1.

1.31 "**Test Chip Characterisation Vectors**" shall mean those test vectors identified in Schedule 2 Part A Items D6, D7, D8 and D9.

1.32 "**Test Chip Functional Vectors**" shall mean those test vectors identified in Schedule 2 Part A Items D4 and D5.

1.33 "**Tools**" shall mean the source and object code of the programs identified in Schedule 4 Parts A and B; and (ii) the documentation identified in Schedule 4 Part C, together with such Updates, if any, as are developed by or for ARM.

1.34 "**Trademarks**" shall mean the trademarks, service marks and logos set forth in Schedule 5.

1.35 "**Transfer Materials**" shall mean that technical information with respect to the ARM7TDMI Core identified in Schedule 2 Part A.

1.36 "**Updates**" shall mean; (i) for the Software, any bug fixes or enhancements to the Software the incorporation of which ARM, in its absolute discretion, decides does not cause to be created a new product; and (ii) for the Transfer Materials, all modifications, enhancements and updates to the Transfer Materials, created by ARM, including such modifications to the Transfer Materials as are made by ARM's other licencees and adopted by ARM for general release as an update provided that ARM may exclude any modification, enhancement or update which ARM, in its absolute discretion decides, results in the creation of a new product;

1.37 "**Use**" shall mean copying the programs identified in Schedule 3 Parts B and C and Schedule 4 Parts A and C onto a computer for the purposes of processing the instructions or statements contained therein, but excluding disassembly, reverse assembly, or reverse compiling except as permitted by local legislation implementing Article 6 of the EC Software Directive and only to the extent necessary to achieve interoperability of an independently created program with other programs. Disassembly, reverse assembly, or reverse compiling for die purpose of error correction is specifically prohibited.

1.38 "**Vectors**" shall mean together the Test Chip Functional Vectors and Test Chip Characterisation Vectors.

1.39 "**1995 Agreement**" shall mean the Technology Licence Agreement between ARM and LGS dated the 5th October 1995.

2. Licence

2.1 In consideration of the fee ("Core Fee") set out in Schedule 12 Part A, ARM hereby grants to LGS, under the Intellectual Property, a perpetual (subject to Clause 18), non-transferable (subject to Clause 20.3), non-exclusive, world-wide right and licence to:

(i) use, modify (subject to the provisions of Clauses 2.2 and 2.3) and copy the Transfer Materials solely for the purposes of creating, developing, manufacturing, having manufactured (subject to the provisions of Clauses 2.4 and 2.5), and selling, supplying and distributing to any third party, ARM Compliant Products;

(ii) modify, translate, reproduce and distribute, subject to the confidentiality obligations set forth in Clause 14, the documentation identified in Schedule 2 (except Item A2).

2.2 LGS may modify:

(i) the internal logic of any ARM7TDMI Core:

(ii) the layout of any ARM7TDMI Core where necessary for the purposes of manufacturing such ARM7TDMI Core on another CMOS process,

PROVIDED ALWAYS THAT the Modified ARM7TDMI Core retains compatibility with the ARM Instruction Set. A Modified ARM7TDMI Core will be deemed compatible if the Test Chip for the Modified ARM7TDMI Core: (i) executes each and every instruction contained in the ARM Instruction Set; (ii) executes the instructions at an identical rate of clocks per instruction as the ARM7TDMI Core from which it was derived; and (iii) runs the Vectors and the AVS.

2.3 LGS hereby grants to ARM, in respect of all modifications made to the ARM7TDMI Core ("Modifications"), a perpetual and irrevocable, royalty-free, non-transferable, non-exclusive, world-wide right and licence to manufacture, have manufactured, modify, create derivative works of, use, sell, supply and distribute all Modifications and sub-license others to exercise similar rights with respect to such Modifications. In pursuance of the licence to all Modifications hereby granted, LGS shall;

2.3.1 prior to any prototype production of the first ARM Compliant Product including any Modification, deliver to ARM, in writing, a full technical description of such proposed Modification; and

2.3.2 within thirty (30) days of the first shipment of the first ARM Compliant Product including any Modification, deliver to ARM the LGS Materials for such ARM Compliant Product including the Modification.

For the avoidance of doubt, nothing in this Clause 2.3 shall be construed as granting to ARM any right or licence to any peripheral devices owned by LGS which are integrated around the ARM7TDMI Core.

ARM shall notify LGS in the event that ARM incorporates any Modification in any general update to or general release of the ARM7TDMI Core.

2.4 LGS may exercise its right to have manufactured ARM Compliant Products provided that:

(i) LGS notifies ARM of the identity of LGS's subcontracted manufacturer ("Manufacturer") not less than thirty (30) days prior to first prototype production by the Manufacturer; and

(ii) LGS ensures that any Manufacturer agrees (i) to be bound by the same obligations of confidentiality as are contained in this Agreement and (ii) to supply The ARM Compliant Products solely to LGS.

In the event that any Manufacturer breaches the provisions referred to in this Clause 2.4, LGS agrees that such breach shall be treated as a material breach of this Agreement by LGS which is incapable of remedy. Further LGS hereby undertakes to keep ARM indemnified against all and any loss, liability, costs, damages, expenses (including the fees of lawyers and other professionals), suffered, incurred or sustained as a result of or in relation to such breach.

For the avoidance of doubt, in the event that LGS subcontracts only the packaging of ARM Compliant Products to a third party, LGS shall be released from the obligations of this Clause 2.4.

2.5 In the event that LGS subcontracts the packaging of ARM Compliant Products, LGS shall

(i) ensure that the packaging company agrees to supply the ARM Compliant Products solely to LGS; and

(ii) undertake to keep ARM indemnified against all and any loss, liability, costs, damages, expenses (including the fees of lawyers and other professionals), suffered, incurred or sustained as a result of or in relation to the breach of the provisions of Clause 2.5(i).

2.6 For the avoidance of doubt, no right is granted to LGS to:

(i) sublicense the rights licensed to LGS pursuant to Clause 2.1;

(ii) distribute any ARM Compliant Product prior to verification in accordance with Clause 3 except that in the event that it is the intention of LGS, and LGS do proceed, to verify a device in accordance with Clause 3, LGS may distribute a maximum of one hundred (100) prototype units of such device without having verified such device.

2.7 Save as licensed in Clause 2.1, LGS acquires no right, title or interest in the ARM7TDMI Core or Transfer Materials and Intellectual Property. In no event shall the licence grant set forth in Clause 2.1 be construed as granting LGS, expressly or by implication, estoppel or otherwise, a licence to use any ARM technology or intellectual property other than that pertaining to the ARM7TDMI Core.

2.8 During the term of this Agreement, LGS may exercise the right to include any Subsidiary as a licence of ARM provided that:

(i) such Subsidiary agrees in writing, as set forth in Schedule 1, to be bound by the obligations of LGS and to comply with all the terms and conditions of this Agreement LGS shall deliver to ARM a copy of the Subsidiary's undertaking within thirty (30) days of the execution of such undertaking:

(ii) any breach of the terms and conditions of this Agreement by a Subsidiary shall constitute a breach of this Agreement by LGS;

(iii) any termination of this Agreement as provided by Clause 18 shall be effective in respect of all Subsidiaries;

(iv) any licence, granted in accordance with the provisions of this Clause 2.8, shall automatically terminate upon any Subsidiary ceasing to be a Subsidiary.

2.9 During the term of this Agreement LGS may exercise the right to include any LG Affiliate as a Licence of ARM provided that:

(i) such LG Affiliate agrees in writing, as set forth in Schedule 11, to be bound by the obligations of LGS and to comply with all the terms and conditions of this Agreement LGS shall deliver to ARM a copy of the LG Affiliate's undertaking within thirty (30) days of the execution of such undertaking;

(ii) any breach of the terms and conditions of this Agreement by a LG Affiliate shall constitute a breach of this Agreement by LGS;

(iii) any termination of this Agreement as provided by Clause 18 shall be effective in respect of all LG Affiliates;

(iv) any licence, granted in accordance with the provisions of this Clause 2.9, shall automatically terminate upon any LG Affiliate ceasing to be a member of the LG Group.

3. Verification of ARM Compliant Products

3.1 LGS shall manufacture and characterise a Test Chip for the ARM7TDMI Core and any Modified ARM7TDMI Core.

3.2 LGS shall:

(i) run the Vectors, in the appropriate format, on the Test Chip and deliver to ARM, a copy of the log ("the Log Results") generated by running the Vectors together with five (5) samples of the Test Chip: and

(ii) run the AVS on the Test Chip (by means of a PIV Card) and deliver to ARM a copy of the log ("the AVS Results") generated by running the AVS.

ARM may, at ARM'S discretion, exercise the right to run the Vectors and/or AVS on the Test Chip.

3.3 The ARM7TDMI Core shall be verified upon:

(i) ARM'S acceptance, of the Log Results either; (a) delivered by LGS; or (b) generated by ARM. The Log Results shall be accepted when they indicate that no errors have been detected or where any errors detected have been jointly agreed, in good faith, and a waiver agreed between the parties: and

(ii) ARM's acceptance of the AVS Results either; (a) delivered by LGS; or (b) generated by ARM. The AVS Results shall be accepted when they indicate that no differences have been detected between the AVS Results and the AVS reference file supplied by ARM or where any errors detected have been jointly agreed, in good faith, and a waiver agreed between the parties.

ARM shall notify LGS, in writing, within thirty (30) days of delivery by LGS of the Log Results and Test Chip samples to ARM (the "Verification Period"), whether the Test Chip has been verified or has failed the verification process. In the event that the Test Chip fails the verification process, ARM shall provide details of the errors which cause the failure to LGS and LGS shall endeavour to correct the errors. The parties shall repeat the above process until either: (i) the Test Chip is verified; or (ii) LGS withdraws the Test Chip from the verification process. In the event that ARM fails to notify LGS of the result of the verification process within the Verification Period, the Test Chip subject to the verification process shall be deemed verified.

3.4 Provided that: (a) the Test Chip has been verified in accordance with the provisions of Clause 3.2; and (b) the ARM Compliant Product containing the ARM Core contained in such Test Chip runs the Core Functional Test Vectors and they indicate that no errors have been detected (or where any errors detected have been jointly agreed, in good faith, and a waiver agreed between the parties), LGS may distribute such ARM Compliant Product without further verification.

3.5 LGS shall provide to ARM. free of charge, within thirty (30) days of verification in accordance with Clause 3.2, fifty (50) samples of each Test Chip manufactured by LGS on each process utilised for such manufacture, so that ARM, at its option, may test the compatibility of each Test Chip. For the avoidance of doubt, there shall be no restriction on ARM's use of such samples provided that ARM shall not reverse engineer any Test Chips provided by LGS under this Clause 3.

4. Models Licence

4.1 In consideration of the fee ("Models Fee") set out in Schedule 12 Part K, ARM hereby grants to LGS a non-transferable (subject to Clause 20.3), non-exclusive, world-wide right and licence under the Intellectual Property, to;

(i) reproduce and use, internally and for third party support purposes, the Models and relevant documentation;

(ii) reproduce and distribute, and sub-license (provided that the end user agrees to be bound by the End User Licence) the Use of the object code of the Models (excluding the Model identified in Schedule 3 Part A);

(iii) modify, reproduce, use and distribute, in connection with the Models (excluding the Model identified in Schedule 3 Part A), the documentation (including any modified documentation) relevant thereto.

(iv) sub-license the distribution rights granted to LGS under Clauses 4.1(ii) and (iii) to Authorised Distributors only.

4.2 For the avoidance of doubt, except as provided by Clause 4.1(iv), no right is granted to LGS to sub-license the right to sell, supply or otherwise distribute the Models.

5. Tools Licence

5.1 In consideration of the Fees set out in Schedule 12 Part L. ARM hereby grants, to LGS, a non-transferable (subject to Clause 20.3), non-exclusive, world-wide right and licence under the Intellectual Property, to;

(i) modify the Tools and related documentation identified in Schedule 4 solely for the purpose of providing Hangul language support and incorporating any LGS logo;

(ii) copy and use the Tools and related documentation identified in Schedule 4 (and any modified versions thereof created under the provisions of Clause 5.1(i)), internally only.

5.2 If, within the period of two (2) years from the Effective Date LGS exercises any of the following options;

Option 1: payment of the fees ("Tools Distribution Option Fee 1") set out in Schedule 12 Part H; or

Option 2: payment of the fees ("Tools Distribution Option Fee 2") set out in Schedule 12 Part I; or

Option 3: payment of the fees ("Tools Distribution Option Fee 3") set out in Schedule 12 Part J.

The licence to the Tools provided in Clause 5.1 shall be extended to include the following rights:

(i) copy and distribute and sub-license (provided that the end user agrees to be bound by the End User Licence) the Use of the object code of the Tools identified in Schedule 4 Part A and Schedule 4 Part C;

(ii) copy and distribute, and sub-license (provided that the end user agrees to be bound by the End User Licence) the use of the Tools identified in Schedule 4 Part B (including the Tools modified in accordance with Clause 5.1(ii));

(iii) modify, copy, use and distribute the Tools documentation identified in Schedule 4 Part D (including any modified Tools documentation);

(iv) sub-license the distribution rights granted to LGS under Clauses 5.2 (i)-(iii) to Authorised Distributors only.

5.3 For the avoidance of doubt, except as provided by Clause 5.2(iv), no right is granted to LGS to sub-license the right to sell, supply or otherwise distribute the Tools.

5A. Embedded ICE Licence

5A.1 In consideration of the fees paid by LGS to ARM as set out in Schedule 12 Part C. ARM hereby grants to LGS a non-transferable (subject to Clause 20.3), non-exclusive, world-wide licence under the Intellectual Property to;

(i) use copy and modify the Embedded ICE, internally and for third party support purposes;

(ii) copy and distribute and sub-license (provided that the end user agrees to be bound by the End User Licence) the Use of the binary code derived from the source code for the Embedded ICE (together with any modified versions thereof created under the provisions of Clause 5A.1(i)) of the Embedded ICE.

5B. PID7T Configurable Device Programs Licence

5B.1 ARM hereby grants to LGS a non-transferable (subject to Clause 20.3), non-exclusive, world-wide licence under the Intellectual Property to;

(i) use copy and modify the PID7T Configurable Device Programs identified in Schedule 15 Part B, internally and for third party support purposes.

6. Verification and Test Licence

6.1 In consideration of the fees ("Core Fees") paid by LGS to ARM as set out in Schedule 12 Part A. ARM hereby grants to LGS a non-transferable (subject to Clause 20.3), nonexclusive, world-wide right and licence under the Intellectual Property, to copy, modify (subject to the provisions of Clause 6.2) and use internally only, the Test Programs and associated documentation.

6.2 LGS may modify the Test Programs provided that;

(i) the Test Programs exhibit the same functionality after modification as they did prior to modification; and

(ii) LGS shall, upon request, from ARM, deliver, to ARM, the source code for such modified Test Programs and a file of the test patterns generated using such modified Test Programs.

6.3 ARM hereby grants, to LGS, a non-transferable (subject to Clause 20.3), non-exclusive, world-wide right and licence under the ARM's Intellectual Property rights, to copy and use internally only, the AVS.

6.4 ARM hereby grants, to LGS a non-transferable (subject to Clause 20.3), non-exclusive, world-wide right and licence under the ARM's Intellectual Property rights, to copy, translate into different formats and use, and distribute (subject to the conditions attaching to limited confidential information described in Clause 14.2) solely for the purpose of testing ARM Compliant Products, the Vectors and Core Functional Vectors.

7. Ownership of the Software

7.1 In no event shall the licence grants set forth in Clauses 4.1. 5.1, 5A.1 and 6.l be construed as granting LGS, expressly or by implication, estoppel or otherwise, a licence under any ARM technology other than the Software and related documentation.

7.2 Except as licensed to LGS in Clauses 4.1. 5.1. 5A.1 and 6.1 all right, title and interest in and to the Software and related documentation shall remain vested in ARM.

7.3 LGS shall reproduce and not remove or obscure any notice incorporated in the Software or related documentation by ARM to protect ARM's Intellectual Property Rights or to acknowledge the copyright and/or contribution of any third party developer. LGS shall incorporate corresponding notices and/or such other markings and notifications as ARM may reasonably require on all copies of Software and related documentation used or distributed by LGS.

8. Trademark Licence

8.1 ARM hereby grants to LGS a non-transferable (subject to Clause 20.3), non-exclusive, royalty-free, world-wide right and licence under ARM's Intellectual Property rights, to use the Trademarks in the promotion and sale of ARM Compliant Products.

8.2 LGS shall use the Trademarks, in accordance with ARM's guidelines set forth in Schedule 5 (the "Guidelines"), on (i) all ARM Compliant Products sold or distributed by LGS and (ii) all documentation, promotional materials and software associated with such ARM Compliant Products. ARM shall have the right to revise Schedule 5 and the Guidelines (including the right to add further trademarks or modify the Trademarks) provided that such revisions are made in respect of the Guidelines issued to all licencees of the Trademarks. Any such revisions shall be effective, upon ninety (90) days written notice to LGS.

8.3 LGS shall be released from the provisions of Clause 8.2 in the case of any ARM Compliant Product, created or developed by LGS, solely for a specific customer of LGS provided that; (a) the customer has notified LGS, in writing, that the customer wishes the ARM Compliant Product packaging not to bear any Trademark; and (b) the ARM Compliant Product does not bear the LGS name or trademark.

8.4 LGS shall submit samples of documentation, packaging, and promotional or advertising materials bearing the Trademarks to ARM from time to time in order that ARM may verity compliance with the Guidelines. In the event that any documentation, packaging, promotional or advertising material fails to comply with the Guidelines, ARM shall notify LGS and LGS shall rectify such documentation, packaging, and promotional or advertising materials so as to comply with the Guidelines and cease using any such non-compliant materials within thirty (30) days of the date of ARM's notice. Any documentation, packaging, and promotional or advertising materials not rejected for failing to comply with the Guidelines by ARM within thirty (30) days after delivery to ARM shall be deemed approved.

8.5 LGS agrees to assist ARM in maintaining the validity of the Trademarks by retaining a record of its use of the Trademarks. Such records shall include samples of the use of each of the Trademarks as well as information regarding the first use of the Trademarks in each country. Upon request, LGS shall make available all such records.

8.6 Except as provided by the terms of this Agreement, LGS shall not use or register any trademark, service mark, device or logo, any of the Trademarks or any word or mark confusingly similar to any of the Trademarks in any jurisdiction.

9. Licence Fees and Royalties

9.1 In consideration of the licences granted to the Transfer Materials and the delivery of the Transfer Materials to LGS under this Agreement, LGS shall pay the fees ("Core Fees") set out in Schedule 12 Part A.

9.1A In consideration of the delivery of the PID7T cards and Embedded ICE protocol converters (identified in Schedule 15) to LGS under this Agreement, LGS shall pay the fee ("PID Fee") set out in Schedule 12 Part M.

9.2 For each ARM Compliant Product sold, supplied or distributed by LGS. LGS shall pay a royalty ("Running Royalty") calculated in accordance with the provisions of Schedule 13.

9.3 For the period of five years from the Effective Date ("Design Win Period"). LGS shall pay a non-refundable fee ("Design Win Fee"), as set out in Schedule 12 Part G, upon each Design Win Event up to a maximum of eight (8) Design Win Fees (except no Design Win Fee shall be payable on the first Design Win Event). No Design Win Fees shall be payable after the Design Win Period and LGS shall not manipulate the sale, supply or other distribution of any Design Win Product to avoid the payment of a Design Win Fee.

9.3A After a period of ten (10) years from the first commercial shipment of the first manufactured ARM Compliant Product under this Agreement (the "Initial Period"), LGS shall be entitled to either; (i) require ARM to enter into good faith negotiations to revise the Running Royalty rates for the remainder of the term of this Agreement; or (ii) require ARM to enter into good faith negotiations to agree a sum payable by LGS to ARM in lieu of the Running Royalties which would otherwise fall due in accordance with the provisions of Clause 9.2. LGS shall exercise its rights under this Clause 9.3A upon written notice to ARM referring to this Clause 9.3A, served not less that six (6) months prior to the expiry of the Initial Period. For the avoidance of doubt, in the event that;

(i) LGS fails to serve any notice in accordance with the provisions of Clause 9.3, the rights set forth in Clause 9.3A shall lapse; or

(ii) the parties fail to reach agreement prior to the expiry of the Initial Period and LGS does not terminate this Agreement, LGS shall continue to pay the Running Royalties in accordance with the provisions of Clause 9.2.

9.4 In no event shall any Fee or Design Win Fee be construed as being an advance payment of Running Royalties and no right of set off of Running Royalties against any Fee or Royalty Fee paid to ARM, by LGS, shall exist. LGS shall not manipulate distribution of ARM Compliant Products between LGS Subsidiaries for the purpose of avoiding payment of Running Royalties at a higher rate than would have been the case if such manipulation had not taken place.

9.5 In consideration of the Embedded ICE licence under Clause 5A, LGS shall pay to ARM a fee ("Embedded ICE Fee"), as set out in Schedule 12 Part C, and for each microprocessor development system created by LGS which incorporates the Embedded ICE (or a modified version thereof created under the provisions of Clause 5A.1(i) a further fee ("Embedded ICE Royalty") as set out in Schedule 12 Part C.

9.6 Upon giving written notice to ARM referring to this Clause 9.6, together with payment, to ARM of the option fee set out in Schedule 12 Part B, for a limited period of three (3) years from the Effective Date, LGS may extend the licence contained in Clause 4 hereof, so as to include any of the simulator specific models specified in Schedule 3 Part C.

9.7 In consideration of the Core maintenance services provided under Clause 12 and the training provided under Clause 13A, LGS shall pay, to ARM the fee ("Core Maintenance Fee") set out in Schedule 12 Part D.

9.8 In consideration of the Software maintenance services provided under Clause 13, LGS shall pay, to ARM the fee ("Software Maintenance Fee") set out in Schedule 12 Part E.

9.9 LGS shall keep all records of account as are necessary to demonstrate compliance with its obligations under this Clause 9.

9.10 ARM shall have the right for representatives of a firm of independent Chartered Accountants to which LGS shall not unreasonably object ("Auditors'"), to make an examination and audit by prior appointment during normal business hours, not more frequently than once annually, of all records and accounts as may under recognised accounting practices contain information bearing upon (i) the number of chips and the NSP of ARM Compliant Products sold or distributed by LGS under this Agreement and (ii) the amounts of Running Royalties payable to ARM under this Clause 9. The Auditors will report to ARM only upon whether the Running Royalties paid to ARM by LGS were or were not correct, and if incorrect, what are the correct amounts for the Running Royalties. LGS shall be supplied with a copy of or sufficient extracts from any report prepared by the Auditors. The Auditors report shall (in the absence of clerical or manifest error) be final and binding on the parties. Such audit shall be at ARM's expense unless it reveals an underpayment of Running Royalties of five per cent (5%) or more, in which case LGS shall reimburse ARM for the costs of such audit. LGS shall make good any underpayment of royalties forthwith. If the audit identifies that LGS has made an overpayment, such overpayment will be credited to the next such payment or payments to be made by LGS.

9.11 Any income or other tax which LGS is required by law to pay or withhold on behalf of ARM with respect to any licence fees and/or royalties payable to ARM under this Agreement shall be deducted from the amount of such licence fees and/or royalties otherwise due provided, however, that in regard to any such deduction, LGS shall give to ARM such assistance as may be necessary to enable or assist ARM to claim exemption therefrom, or credit therefor, and shall upon request furnish to ARM such certificates and other evidence of deduction and payment thereof as ARM may properly require.

9.12 Any Running Royalties due to ARM under this Agreement shall be paid in accordance with the terms set forth in Schedule 6 Part B. All other sums shall be due, to ARM, in accordance with the provisions of Schedule 12 and shall be paid within thirty (30) days of the date of ARM's invoice therefor except that in the case of the Core Fee [*****] shall be paid within thirty (30) days of the date of ARM's invoice therefor and [*****] shall be paid within ninety (90) days of the date of ARM's invoice therefor.

[*****] - Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

9.13 If any sum due under this Agreement is not paid within thirty (30) days of receipt of the invoice therefor, then (without prejudice to ARM's other rights and remedies) ARM reserves the right to charge interest on such sum on a day to day basis (as well after as before any judgement) from the date from which payment was due to the date of payment at the rate of five (5) per cent per annum above the base rate of Barclays Bank PLC from time to time in force.

10. Delivery, Acceptance and Production Costs

10.1 In consideration of the payment to ARM by LGS of the fee ("Design Transfer Fee") set out in Schedule 12 Part F. ARM shall port and deliver to LGS database CD in respect of the ARM7TDMI Core which conform to the LGS 0.35 micron ASIC Design Rules Version 2 (Aug 19th 1996). In the event that LGS delivers a later set of rules ARM shall review and if the amount of work involved is substantially different then ARM and LGS shall mutually agree an alternative course of action.

10.2 ARM shall deliver any deliverables due to LGS under the provisions of this Agreement in accordance with the delivery schedule set forth in Schedule 9.

10.3 Unless otherwise agreed in writing, delivery:

(i) by LGS, shall take place at Advanced RISC Machines Limited 90 Fulbourn Road, Cherry Hinton, Cambridge CB1 4JN. England marked for the attention of the Engineering Director;

(ii) by ARM, shall take place at 16 Woomyeon-dong, Seocho-gu, Seoul 137-140. Korea marked for the attention of Mr Jay H. Kim.

10.4 ARM shall not be responsible under the terms of this Agreement for any recoverable or non-recoverable costs incurred directly or indirectly, by LGS in the design translation, processing, or manufacture of masks and prototypes characterisation or manufacture of production quality silicon in whatever quantity.

11. Contract Administrators

11.1 The parties hereby appoint the following individuals as their respective contract administrators between ARM and LGS with respect to this Agreement:

ARM:

<u>For legal notices</u>:

David N MacKay
VP of Strategic Alliances
Advanced RISC Machines Limited
90, Fulbourn Road
Cherry Hinton
Cambridge
CBl 4JN
England

LGS:

Jong-Taek Hong
General Manager Legal Affairs Department
LG Semicon Co Limited
891 Daechi-dong
Kangnam-ku
Seoul
Korea

For corporate issues:

James S Urquhart
VP of Sales and Marketing
Advanced RISC Machines Limited
90, Fulbourn Road
Cherry Hinton
Cambridge
CB1 4JN
England

Mr. Young-Pyo Bae
Managing Director
LG Semicon Co Limited
891 Daechi-dong
Kangnam-ku
Seoul
Korea

For Confidential Information:

Bryn Parry
Business Unit Manager
At the address set forth above

Mr. Jay H. Kim
Group Leader MD 8
At the address set forth above

For financial issues:

Angela Au
Financial Controller
At the address set forth above

Mr. K K. Kang
General Manager
At the address set forth above

For applications support:

Bryn Parry
Business Unit Manager
At the address set forth above

Mr. Jay H. Kim
Group Leader MD 8
At the address set forth above

For software support:

Bryn Parry
Business Unit Manager
At the address set forth above

Mr. Jay H. Kim
Group Leader MD 8
At the address set forth above

11.2 The contract administrators identified herein are appointed by the parties for the receipt and dispatch on their behalf of all communications relating to the administrators' above designated areas of responsibility. The contract administrators shall also be responsible for the good progress of the parties' performance under this Agreement and the timely resolution of all technical, administrative and commercial issues which may arise from time to time during the execution of this Agreement.

11.3 Each party reserves the right to change its appointment as above upon seven (7) days written notice to the other party's then current corresponding liaison.

12. Core Maintenance Services

12.1 In consideration of the payment of the Core Maintenance Fee to ARM, by LGS, ARM shall provide, to LGS, in respect of the ARM7TDMI Core through the parties' applicable contract administrator, the following maintenance services;

(i) the correction, to the extent reasonably possible, of any defects in any ARM7TDMI Core which cause such ARM7TDMI Core not to operate in accordance with the functionality described in the applicable documentation. If ARM determines that such defects are due to errors in such description, ARM shall promptly issue corrections to the applicable documentation and shall not be required to correct the

Transfer Materials provided that LGS is not thereby prevented from commercially exploiting such ARM7TDMI Core.

(ii) reasonable telephone and written consultation pertaining to the operation and application of the ARM7TDMI Core;

(iii) any bug-fixes or corrections to the ARM7TDMI Core made available by ARM to any third party;

(iv) all Updates to the ARM7TDMI Core;

(v) the provision of ARM-related training;

The services provided under Clauses 12.1(ii), 12.1(v) and 13.1(ii) shall together be limited to a total of thirty (30) man days per annum.

12.2 Upon LGS requesting ARM'S assistance pursuant to the provisions of Clause 12.1, LGS shall promptly provide to ARM such samples and technical information as ARM may reasonably require to enable ARM to provide such assistance.

12.3 In notifying ARM of any defects or problems LGS shall use a format and medium reasonably requested by ARM. Notwithstanding the foregoing, LGS shall provide ARM promptly with any information or assistance reasonably requested by ARM to enable ARM to provide the maintenance service hereunder.

12.4 The maintenance services shall be provided at ARM's UK premises. Nevertheless, ARM will use reasonable efforts to provide maintenance services to LGS, at LGS's premises, subject to LGS meeting all reasonable travelling, accommodation and sustenance expenses.

12.5 For the avoidance of doubt, ARM's obligation under this Clause 12 is limited expressly to the provision of the maintenance services to LGS and ARM shall be under no obligation to provide the maintenance services to LGS's customers.

13. Software Maintenance Services

13.1 In consideration of the payment of the Software Maintenance Fee to ARM, by LGS, ARM shall provide to LGS, in respect of the Software, through the parties' applicable contract administrator, the following maintenance services:

(i) to correct, to the extent reasonably possible, any defects in the Software which cause the Software not to operate in accordance with the description of the Software's function in the applicable documentation. If ARM determines that such defects are due to errors in such description, ARM shall promptly issue corrections to the documentation and shall not be required to alter the Software provided that LGS is not thereby prevented from commercially exploiting the Software.

(ii) to provide reasonable telephone and written consultation pertaining to the operation and application of the Software.

(iii) to provide as available Updates to the Software.

13.2 In notifying ARM of any defects or problems LGS shall use a format reasonably requested by ARM. LGS shall provide ARM promptly with any information or assistance reasonably requested by ARM to enable ARM to provide the maintenance service hereunder.

13.3 For the avoidance of doubt, ARM's obligation under this Clause 13 is limited expressly to the provision of the Software maintenance services to LGS and ARM shall be under no obligation to provide the maintenance services to LGS's sub-licensees of the Software.

13A. Training

I3A.1 In consideration of the Fees see out in Schedule 12 Part D. ARM shall provide, on reasonable notice, at ARM's premises in Cambridge, up to four (4) weeks of support for up to two (2) LGS personnel in relation to building the Test Chip and use of the Embedded ICE.

14. Confidentiality

14.1 Save as provided by Clause 14.2, each party shall maintain in confidence the Confidential Information disclosed by the other party and apply security measures no less stringent than the measures that such party applies to protect its own like information, but not less than a reasonable degree of care, to prevent unauthorised disclosure and use of the Confidential Information. The period of confidentiality shall be (i) indefinite with respect to the terms of this Agreement, pattern generation tapes and photomasks and (ii) twenty (20) years with respect to all other information.

14.2 In the event that either party qualifies the confidentiality of any Confidential Information in writing by marking such Confidential Information with the words "Limited Confidentiality", such Confidential Information may be disclosed to a third party who has entered into a non disclosure agreement ("NDA") with the recipient containing substantially similar terms to this Clause 14. A NDA in respect of the disclosure of business Confidential Information may be limited in duration to a period of not less than three (3) years from the date of disclosure. A NDA in respect of the disclosure of technical Confidential Information may be limited in duration to a period of not less than five (5) years from the date of disclosure.

14.3 The provisions of this clause shall not apply to information which:-

(i) is known and has been reduced to tangible form by the receiving party prior to disclosure by the other party; or

(ii) is, or becomes through no fault of the receiving party, generally known; or

(iii) is disclosed to the receiving party by a third party having the lawful right to make such disclosure; or

(iv) is independently conceived by the receiving party provided that the receiving party is able to provide evidence of such independent conception in the form of written records; or

(v) is released to the receiving party for disclosure to any third party, other than on a confidential basis, by the disclosing party in writing; or

(vi) as required by any court or other governmental body.

14.4 For the avoidance of doubt, LGS Royalty Reports may be disclosed to, in confidence, ARM's financial and/or legal advisors. In addition, ARM may disclose the total unit sales of ARM Compliant Products.

14.5 The parties agree that the disclosure of Confidential Information to a party hereunder shall be co-ordinated through the appointed contract administrators identified for such purpose in Clause 11.1.

15. Warranties

15.1 ARM warrants that the materials delivered to LGS will be sufficient for a competent semiconductor manufacturer to produce an ARM7TDMI Core which meets the functionality specified in the ARM Datasheet Doc. No. ARM DDI 0029E. LGS's sole and exclusive remedy for any breach of such warranty shall be for ARM to correct any errors in the materials and deliver such corrected materials to LGS or replace the materials at ARM's discretion.

15.2 LGS acknowledges that the Software cannot be tested in every possible operation, and accordingly ARM does not warrant that the Software will be free from all defects or that there will be no interruption in its use. However, ARM warrants that the Software will be complete and comply with the description of its functionality specified in the documentation. LGS's sole and exclusive remedy for any breach of such warranty shall be for ARM, as soon as is reasonably practicable, to correct any errors in the Software and deliver such corrected Software to LGS.

15.3 ARM further warrants that to ARM's knowledge and belief, but expressly without having undertaken any searches for prior art, that:

(i) the ARM7TDMI Core, and Software do not infringe any third party copyright, maskwork right or trade secret; and

(ii) there are no pending claims that have been made, or actions commenced, against ARM for breach of any third party copyright, maskwork right, patent or trade secret; and

(iii) ARM, or its applicable licensor, is the owner of the properties to be delivered to LGS; and

(iv) ARM has the right to enter into the Agreement.

15.4 Except as expressly provided in this Agreement, the ARM7TDMI Core. Software, Intellectual Property, and Transfer Materials are licensed "as is" and ARM makes no warranties express, implied or statutory, including, without limitation, the implied warranties of merchantability or fitness for a particular purpose with respect to the ARM7TDMI Core, Software, Intellectual Property and Transfer Materials.

15.5 LGS warrants that LGS shall:

(i) submit this Agreement for approval by the Korean Government forthwith upon signature by the parties; and

(ii) use all reasonable endeavours to obtain all or any tax exemption or tax credits applicable to the technology licensed and monies payable under this Agreement.

16. Infringement

16.1 Each party (the "Delivering Party") will support the other party (the "Receiving Party") in any action based on a claim that the materials delivered by the Delivering Party to the Receiving Party under this Agreement (the "Delivered Materials"), when used in accordance with this Agreement, infringe any patent, copyright or trade secret provided that the Receiving Party shall notify the Delivering Party promptly in writing of each such suit. However, a party shall not be obliged to support the other party in any action based upon an infringement or alleged infringement of any patent, copyright, trade secret, mask work, trademark or other property right by; (a) the Receiving Party's manufacturing process; (b) any modification of the Delivered Materials not made by the Delivering Party; or (c) the use of

the Delivered Materials in combination with other equipment, technology or software not purchased or licensed from the Delivering Party, provided that such claim would not have occurred but for such combination, modification or enhancement.

16.2 The Receiving Party will support the Delivering Party in any action based on a claim that (a) the process used by or on behalf of the Receiving Party in manufacturing products incorporating, embodying or based upon the Delivered Materials, (b) any modification of the Delivered Materials made by or on behalf of the Receiving Party, or (c) the use of the Delivered Materials in combination with other equipment, software or technology not purchased or licensed from the Delivering Party, provided that such claim would not have occurred but for such combination, modification or enhancement, has infringed any patent, copyright or trade secret provided that the Delivering Party shall notify the Receiving Party promptly in writing of such suits.

16.3 If any Delivered Materials provided to LGS by ARM, or any portion thereof, is finally adjudged to infringe a patent or copyright, ARM shall, at ARM's election, use its reasonable efforts to; (a) procure the right to continue using the unmodified Delivered Materials; (b) modify the Delivered Materials so that they become non-infringing; (c) replace the unmodified Delivered Materials, or infringing portions thereof, with reasonably equivalent non-infringing products; or (d) pay compensatory damages to LGS, subject to the limitations of Clause 16.6. The provisions of this Clause 16.3 do not extend to any suit based upon an infringement or alleged infringement of any patent, copyright, trade secret, mask work, trademark or other property right by; (a) the LGS manufacturing process; (b) any modification of the Delivered Materials not made by ARM; or (c) the use of the Delivered Materials in combination with other equipment, technology or software not purchased or licensed from ARM, provided that such claim would not have occurred but for such combination, modification or enhancement.

16.4 If any Delivered Materials provided to ARM by LGS, or any portion thereof, is finally adjudged to infringe a patent or copyright. LGS shall, at LGS's election, use its reasonable efforts to; (a) procure the right to continue using the unmodified Delivered Materials; (b) modify the Delivered Materials so that they become non-infringing; (c) replace the unmodified Delivered Materials, or infringing portions thereof, with reasonably equivalent non-infringing products; or (d) pay compensatory damages to ARM subject to the limitations of Clause 16.6. The provisions of this Clause 16.4 do not extend to any suit based upon an infringement or alleged infringement of any patent, copyright, trade secret, mask work, trademark or other property right by any modification of the Delivered Materials not made by LGS.

16.5 In the event that there is a final adjudication of infringement, the liability of the Delivering Party for such infringement shall terminate with respect to all damages regarding the infringing intellectual property arising after the date of such final adjudication.

16.6 THE FOREGOING STATES THE ENTIRE LIABILITY OF THE PARTIES, AND THE EXCLUSIVE REMEDY FOR THE PARTIES, FOR ANY INFRINGEMENT OF ANY PATENT, COPYRIGHT, TRADEMARK, TRADE SECRET, MASK WORK OR OTHER PROPRIETARY RIGHT OF A THIRD PARTY. ARM AND LGS DISCLAIM ALL OTHER LIABILITY FOR ANY SUCH INFRINGEMENT. INCLUDING ANY INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT. NEITHER PARTY SHALL BE LIABLE FOR ANY AMOUNTS IN EXCESS OF THE SUM OF TWO HUNDRED AND EIGHTY FIVE THOUSAND US DOLLARS (US$285,000) IN THE AGGREGATE FOR ALL PAYMENTS MADE PURSUANT TO ANY CLAIMS IN ANY WAY ARISING OUT OF OR IN CONNECTION WITH THE PROVISIONS OF THIS CLAUSE 16.

17. Disclaimer of Consequential Damages

17.1 IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES WHETHER SUCH DAMAGES ARE ALLEGED AS A RESULT OF TORTIOUS CONDUCT OR BREACH OF CONTRACT OR OTHERWISE EVEN IF THE OTHER PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. SUCH DAMAGES SHALL INCLUDE BUT SHALL NOT BE LIMITED TO THE COST OF REMOVAL AND REINSTALLATION OF GOODS, LOSS OF GOODWILL, LOSS OF PROFITS, LOSS OF USE OF DATA, INTERRUPTION OF BUSINESS OR OTHER ECONOMIC LOSS BUT NOTHING IN THIS CLAUSE SHALL OPERATE TO EXCLUDE LIABILITY FOR DEATH OR PERSONAL INJURY RESULTING FROM EITHER PARTY'S NEGLIGENCE.

18. Term and Termination

18.1 This Agreement shall commence on the Effective Date and continue in force, except as provided by Clause 18.3, unless and until terminated in accordance with the provisions of Clause 18.2.

18.2 Without prejudice to any other right or remedy which may be available to it, either party shall be entitled summarily to terminate this Agreement by giving written notice to the other.

(i) if the other party has committed a material breach of any of its obligations hereunder which is not capable of remedy; or

(ii) if the other party has committed a material breach of any of its obligations hereunder which is capable of remedy but which has not been remedied within a period of sixty (60) days following receipt of written notice to do so; or

(iii) makes any voluntary arrangement with its creditors for the settlement of its debts or becomes subject to an administration order; or

(iv) has an order made against it. or passes a resolution, for its winding-up (except for the purposes of amalgamation or reconstruction) or has an encumbrancer take possession or has a receiver or similar officer appointed over all or substantially all of its property or assets.

18.3 After a period of seven and one half (7.5) years from the Effective Date of the 1995 Agreement (the "Initial Period"), the licence set forth in Clause 5 shall expire automatically whereupon LGS shall have no further right or licence in respect of the Tools. However, LGS may renew the licence granted under the provisions of Clause 5, subject to the provisions of Clauses 18.3(i) and (ii), for a further term of seven (7) years upon payment of a fee ("Renewal Fee").

(i) LGS may exercise its rights to renew, as provided by this Clause 18.3, provided that LGS gives to ARM not less than six (6) months notice in writing of its intention to so renew, expiring on the seventh anniversary of the Effective Date.

(ii) Upon receipt of LGS's notice served in accordance with Clause 18.3(i), the parties shall enter into good faith negotiations to agree a reasonable Renewal Fee. For the avoidance of doubt, LGS shall not be entitled to exercise any of the rights contained in Clause 5 unless and until agreement has been reached and the Renewal Fee has been paid to ARM.

18.4 LGS and ARM acknowledge that each and every term and condition of this Agreement has been fully and completely negotiated and such terms and conditions closely relate to each other. In the event that the Korean governmental authorities, including the Korean Fair Trade Commission, during the review of this Agreement require a modification to one or more of the clauses or this Agreement. ARM shall have the option to renegotiate the entire Agreement or accept the applicable modification of the Agreement as required by such governmental authorities.

19. Effect of Termination

19.1 Upon termination of this Agreement by either party pursuant to Clause 18.2, LGS will immediately discontinue any use and distribution of all ARM Compliant Products, Software, Intellectual Property, Transfer Materials and ARM Confidential Information. LGS shall, at ARM's option, either destroy or return to ARM any Confidential Information, including any copies thereof in its possession, together with the Transfer Materials and all copies of the Software in its possession. Within one month after termination of this Agreement LGS will furnish to ARM a certificate signed by a duly authorised officer of LGS that to the best of his or her knowledge, information and belief, after due enquiry, LGS has complied with provisions of this Clause. For the avoidance of doubt, any sub-licences of the Software granted by LGS prior to the termination of this Agreement shall survive such termination.

19.2 Upon termination of this Agreement the termination date shall be treated as the end of a Half Year for the purposes of accounting for all Running Royalties due to ARM. Thereafter LGS shall submit a royalty report to ARM in accordance with the provisions of Schedule 6.

19.3 The provisions of Clauses 1, 2.3, 2.4 (in respect of LGS's obligation to indemnify ARM thereunder), 7, 9 (to the extent that any amounts remain due and unpaid at the date of termination), 14, 16, 17, 19, and 20 shall survive termination or expiration of this Agreement.

20. General

20.1 All communications between the parties including, but not limited to, notices, royalty reports, error or bug reports, the exercise of options, and support requests shall be in the English language.

20.2 All notices which are required to be given hereunder shall be in writing and shall be sent to the address of the recipient set out in this Agreement or such other address as the recipient may designate by notice given in accordance with the provisions of this Clause. Any such notice may be delivered personally, by commercial overnight courier or facsimile transmission which shall be followed by a hard copy and shall be deemed to have been served if by hand when delivered, if by commercial overnight courier 48 hours after deposit with such courier, and if by facsimile transmission when dispatched.

20.3 Neither party shall assign or otherwise transfer this Agreement or any of its rights and obligations hereunder whether in whole or in part without the prior written consent of the other.

20.4 Neither party shall be liable for any failure or delay in its performance under this Agreement due to causes, including, but not limited to, acts of God, acts of civil or military authority, fires, epidemics, floods, earthquakes, riots, wars, sabotage, third party industrial disputes and governments actions, which are beyond its reasonable control: provided that the delayed party: (i) gives the other party written notice of such cause promptly, and in any event within fourteen (14) days of discovery thereof; and (ii) uses its reasonable efforts to correct such failure or delay in its performance. The delayed party's time for performance or cure under this Clause 20.4 shall be extended for a period equal to the duration of the cause.

20.5 ARM and LGS are independent parties. Neither company nor their employees, consultants, contractors or agents, are agents, employees or joint venturers of the other party, nor do they have the authority to bind the other party by contract or otherwise to any obligation. Neither party will represent to the contrary, either expressly, implicitly, by appearance or otherwise.

20.6 The parties agree that the terms and conditions of this Agreement shall be treated as Confidential Information hereunder and shall not be disclosed without the consent of both parties.

20.7 Failure by either party to enforce any provision of this Agreement shall not be deemed a waiver of future enforcement of that or any other provision.

20.8 If any provision of this Agreement, or portion thereof, is determined to be invalid or unenforceable the same will be enforced to the maximum extent permissible so as to effect the intent of the parties, and the remainder of this Agreement will continue in full force and effect.

20.9 The headings to the Clauses of this Agreement are for ease of reference only and shall not affect the interpretation or construction of this Agreement.

20.10 This Agreement may be executed in one or more counterparts each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

20.11 This Agreement, including all Schedules and documents referenced herein, constitutes the entire agreement between the parties with respect to the subject matter hereof, and supersedes and replaces all prior or contemporaneous understandings or agreements, written or oral, regarding the subject matter. No amendment to, or modification of, this Agreement shall be binding unless in writing and signed by a duly authorised representative of both parties.

20.12 This Agreement shall be governed by and construed in accordance with the laws of England. In the event that ARM commences proceedings against LGS under this Agreement, the parties agree to submit to the jurisdiction of the Seoul District Court, Korea, for the purpose of hearing and determining any disputes arising out of this Agreement. In the event that LGS commences proceedings against ARM under this Agreement, the parties agree to submit to the jurisdiction of the High Court of Justice, London, England, for the purpose of hearing and determining any disputes arising out of this Agreement.

IN WITNESS WHEREOF the parties have caused this Agreement to be executed by their duly authorised representative:

ADVANCED RISC MACHINES LIMITED:

SIGNED: /s/ R. K. Saxby

NAME: R. K. Saxby

TITLE: President & CEO

LG SEMICON COMPANY LIMITED:

SIGNED: /s/ B. D. Sun

NAME: Byung-Don Sun

TITLE: Executive Vice President

This amendment ("**Amendment**") is effective from the 16th of October 2006 ("**Effective Date**")

BETWEEN

ARM LIMITED whose registered office is situated at 110 Fulbourn Road, Cambridge CB1 9NJ, United Kingdom ("**ARM**");

and

MAGNACHIP SEMICONDUCTOR LTD whose principal place of business is situated at 891 Daechi-dong, Gangnam-gu, Seoul 135-738, Seoul, Korea ("**MAGNACHIP**")

WHEREAS

A. This Amendment (defined above) refers to and amends the terms and conditions of the technology licence agreement, ARM document number LEC-TLA-00142, between ARM and MAGNACHIP dated 16th December 1996 (the "**Agreement**").

B. The Agreement was assigned by LG Semicon Company Limited to Hyundai Electronics Ltd ("Hyundai") in the month of March 2000.

C. Hyundai changed its name to Hynix Semiconductor Inc ("**Hynix**") on 29th March 2001.

D. MAGNACHIP purchased the system IC business of Hynix on 6th October 2004 and the Agreement was assigned to MAGNACHIP.

E. MAGNACHIP has requested and ARM has agreed to license an additional model to MAGNACHIP under the terms and conditions of the Agreement.

IT IS AGREED AS FOLLOWS:

1. That all definitions contained in the Agreement shall have the same meanings and apply to this Amendment.

2. Delete the following from Clause 1.22(iii) of the Agreement

"subject to the payment by MAGNACHIP of the fee(s) set out in Clause 9.2"

and replace with the following:

"subject to the payment by MAGNACHIP of the fee(s) set out in Clauses 9.6a, 9.6b and 9.6c as applicable"

3. After Clause 9.6, add Clauses 9.6a and 9.6b to the Agreement as follows:

"9.6a	In consideration of ARM agreeing to licence the Model identified in Schedule 3 Part C Item C7 to MAGNACHIP, MAGNACHIP shall pay, to ARM, the sum of [*****] due on the Effective Date of the Amendment.
9.6b	In consideration of ARM agreeing to provide support and maintenance services to MAGNACHIP in respect of the Model identified in Schedule 3 Part C Item C7, MAGNACHIP shall pay, to ARM, the [******] due on the Effective Date of the Amendment.
9.6c	In the event that MAGNACHIP exercises its option in Clause 13.1b, MAGNACHIP shall pay, to ARM, the sum of [*****] ("**Model Optional Support and Maintenance Fee") due on the first anniversary of the Effective Date of the Amendment."**

[*****] - Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

4. After Clause 13.1 of the Agreement, add Clause 13.1a to the Agreement as follows:

"13.1a Notwithstanding anything to the contrary contained in Clause 13.1, for the period commencing on the Effective Date of the Amendment and ending one (1) year thereafter, ARM shall provide support and maintenance to MAGNACHIP pursuant to this Clause 13 in respect of the Model identified in Schedule 3 Part C Item C7.

13.1b Subject to receipt of notice from MAGNACHIP requesting support and maintenance and payment of the Model Optional Support and Maintenance Fee (defined in Clause 9.6c), for the period commencing on the first anniversary of the Effective Date of the Amendment and ending one (1) year thereafter, ARM shall provide support and maintenance to MAGNACHIP pursuant to this Clause 13 in respect of the Model identified in Schedule 3 Part C Item C7."

5. Add the following to the end of Schedule 3 Part C of the Agreement:

C7	AT010-MS-28607	ARM7TDMI Model	NC-Verilog simulator on Linux platform	N

The terms contained herein are agreed and accepted by the authourised signatories of the respective partics:

ARM LIMITED		MAGNACHIP SEMICONDUCTOR LTD	
BY	/s/	BY	/s/ David J Gampell
NAME		NAME	DAVID J GAMPELL
TITLE	EVP	TITLE	VP ENGINEERING, ISO
DATE	7/11/06	DATE	16 OCT 2006

APPROVED BY LEGAL
Initial
Date

ARM7201TDSP Device Licence Agreement

This device licence agreement ("The Agreement") is made the 26th day of August 1997

between

ADVANCED RISC MACHINES LIMITED

whose registered office is situated at 90, Fulbourn Road, Cherry Hinton, Cambridge, CB1 4JN ("ARM")

and

LG SEMICON COMPANY LIMITED

whose principle place of business is situated at 16 Woomyeon-dong, Seocho-qu, Seoul 137-140 Korea ("LGS")

IT IS HEREBY AGREED AS FOLLOWS;

Except to the extent that the terms of this Agreement are inconsistent with the terms of the 1996 Agreement, in which event the terms of this Agreement shall prevail, this Agreement shall be without prejudice to the terms of the 1996 Agreement and the terms of the 1996 Agreement shall apply.

1. Definitions

The following terms shall have the following meanings where used in this Agreement;

1.1 "**1996 Agreement**" shall mean the Technology Licence Agreement between ARM and LGS dated the 16th December 1996.

1.2 "**ARM Services**" shall mean the services described in Schedule 1 which ARM shall provide to LGS pursuant to this Agreement.

1.3 "**ARM Compliant Product**" shall mean any single silicon chip developed by LGS which contains, at a minimum; (i) an ARM7TDMI Core or a Modified ARM7TDMI Core as defined in the 1996 Agreement; or (ii) an ARM720T Core or a Modified ARM720T Core, which has been verified in accordance with the provisions of Clause 3 of the 1996 Agreement mutatis mutandis.

1.4 "**ARM720T Core**" shall mean the ARM720T Core specified in the ARM720T Datasheet identified in Schedule 3 Part A.

1.5 "**ARM720T Model**" shall mean the ARM720T Model identified in Schedule 3 Part B.

1.6 "**ARM720T Core Transfer Materials**" shall mean the items in respect of the ARM720T Core identified in Schedule 3.

1.7 "**ARM7201TDSP Device**" shall mean the device specified in the device specification approved by LGS in accordance with Clause 3.3 together with any changes thereto mutually agreed between the parties in writing from time to time. A preliminary specification is set out in Schedule 11.

[*****] - Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

1.8 "**ARM7201TDSP Transfer Materials**" shall mean the items identified in Schedule 2 Parts A.

1.9 "**ARM720TDSP**" shall mean the combined core of the ARM720T Core and the Piccolo Core

1.10 "**ARM720TDSP Transfer Materials**" shall mean the items identified in Schedule 2 Part B.

1.11 "**ARM Deliverables**" shall mean the ARM720T Core Transfer Materials, ARM720TDSP Core Transfer Materials, the ARM7201TDSP Transfer Materials and the Piccolo Core Transfer Materials.

1.12 "**Beta Release**" shall mean a version of the Software which, subject to Known exceptions (which will be documented and provided to LGS);

(i) substantially conforms with the Specification; and

(ii) is free from significant bugs.

1.13 "**Delivery Schedule**" shall mean the dates set out in the various schedules of this Agreement for performance of the ARM Services for and delivery of the ARM720T Core Transfer Materials, the ARM720TDSP Core Transfer Materials, the ARM7201TDSP Transfer Materials, the Piccolo Core Transfer Materials, and the Software to LGS.

1.14 "**Design Win Event**" shall mean for each different ARM Compliant Product or semiconductor product incorporating the Piccolo Core, the point in time of sale, supply or other distribution by LGS of ten thousand (10,000) units of such product.

1.15 "**Device Driver Software**" shall mean the source and object code versions of the computer programs and documentation identified in Schedule 5 Part A.

1.16 "**Effective Date**" shall mean the date of this Agreement or date upon which the Korean Government gives approval to this Agreement, whichever is the later, subject always to the provision of Clause 13.3.

1.17 "**Final Release**" shall mean a version of the Software which;

(i) conforms with the Specification;

(ii) is free from significant bugs; and

(iii) is supported by such documentation as is necessary for its, installation, operation and interpretation.

1.18 "**FPGA Board**" shall mean the hardware identified in Schedule 5 Part B.

1.19 "**OAL Software**" shall mean the source and object code versions of the computer programs and documentation identified in Schedule 5 Part A.

1.20 "**Intellectual Property**" shall mean patents and patent rights, trade marks, service marks, registered designs, applications for any of the foregoing, design rights,

topography or mask rights, copyright, know-how, Confidential Information, any Intellectual Property Derivatives, and any other similar protected rights in any country.

1.21 "**Intellectual Property Derivatives**" shall mean; (i) for copyrightable or copyrighted material, any translation, abridgement, revision or other form in which an existing work may be recast, transformed or adapted; (ii) for work protected by topography or maskwork right, any translation, abridgement, revision or other form in which an existing work may be recast, transformed or adapted; (iii) for patented or patentable material, any improvement; and (iv) for material protected by trade secret any new material derived from or employing such trade secret.

1.22 "**LGS Deliverables**" shall mean the items in respect of the ARM7201TDSP Device identified in Schedule 8 Part A.

1.23 "**LGS Services**" shall mean the services as set out in Schedule 9 which LGS shall provide to ARM.

1.24 "**LG Affiliates**" shall mean each of the companies set out in Schedule 10.

1.25 "**Microsoft**" shall mean Microsoft Corporation, One Microsoft Way, Redmond, WA 9052-6399 USA.

1.26 "**Modified ARM720T Core**" shall mean any ARM720T Core modified in accordance with the provisions of Clause 2.2 of the 1996 Agreement mutatis mutandis.

1.27 "**Modified ARM720TDSP Core**" shall mean any ARM720TDSP Core modified in accordance with the provisions of Clause 2.2 of the 1996 Agreement mutatis mutandis.

1.28 "**Model**" shall mean: (i) the object code and source code of the Design Transfer Model identified in Schedule 2, Schedule 3 and Schedule 4; (ii) the object code and such source code of the Design Simulation Models and Design Simulation Model Options identified in Schedule 2, Schedule 3 and Schedule 4 as may be necessary (at ARM's absolute discretion) to allow the support of subsequent releases of the specified simulator; together with such Updates thereof, if any, as are developed by or for ARM.

1.29 "**NSP**" shall mean the net sales price of any ARM Compliant Products calculated by taking the aggregate invoice price charged on arm's length terms by LGS and its Subsidiaries in the sale or distribution of any ARM Compliant Product, less any (i) value added, turnover, import, or other tax, duty or tariff payable thereon (ii) freight and insurance costs incurred and (iii) amounts actually repaid or credited with respect to any ARM Compliant Products returned.

1.30 "**OEM Agreement**" shall mean a separate royalty license and distribution agreement by which MS licenses an original equipment manufacturer (OEM) the right to distribute Windows CE with a Windows CE Device designed by such OEM.

1.31 "**Piccolo Coprocessor**" shall mean the ARM SP7 as described and identified in the ARM SP7 datasheet. ARM DDI — 0089

1.32 "**Piccolo Core**" shall mean an implementation which

(i) executes each and every instruction in the Piccolo Instruction Set;

(ii) executes no additional instructions to those contained in the Piccolo Instruction Set; and

(iii) has been verified using ARM720TDSP test chip in accordance with the provisions of Clause 3 of the 1996 Agreement.

1.33 "**Piccolo Instruction Set**" shall mean the Piccolo Instruction Set as defined in the Piccolo Architecture Specification: ARM IPU - 0025 including all amendments and architectural enhancements made thereto within a period of ten (10) years from the Effective Date.

1.34 "**Piccolo Core Transfer Materials**" shall mean the items in respect of the Piccolo Core identified in Schedule 4.

1.35 "**Software**" shall mean together the OAL Software and the Device Driver Software.

1.36 "**ARM Software**" shall mean together the Models, Tools, Test Programs, Embedded ICE and Vectors for the ARM720T Core, the ARM720TDSP, the ARM7201TDSP Device and the Piccolo Core identified in Schedule 2, Schedule 3 and Schedule 4.

1.37 "**Software Transfer Materials**" shall mean the items identified in Schedule 5.

1.38 "**Specification**" shall mean the specification for the Software as set out in Schedule 5.

1.39 "**Subsidiary**" shall mean any company the majority of shares is now or hereafter owned or controlled, directly or indirectly, by a party hereto or any company a majority of whose voting shares is now or hereafter owned or controlled, directly or indirectly, by any of the aforementioned entities. A company shall be considered a Subsidiary only so long as such control exists.

1.40 "**Test Programs**" shall mean the source code and object code of the programs identified in Schedule 2, Schedule 3 and Schedule 4 together with such Updates, if any, as are developed by or for ARM.

1.41 "**Tools**" shall mean: (i) the source and object code of the programs identified in Schedule 4 Part C Section 1; and (ii) the documentation identified in Schedule 4 Part C Section 2, together with such Updates, if any, as are developed by or for ARM.

1.42 "**Updates**" shall mean; (i) for the ARM Software, any bug fixes or enhancements to the Software the incorporation of which ARM, in its absolute discretion, decides does not cause to be created a new product; and (ii) for the ARM Deliverables, all modifications, enhancements and updates to the ARM Deliverables, created by ARM, including such modifications to the ARM Deliverables as are made by ARM's other licensees and adopted by ARM for general release as an update provided that ARM may exclude any modification, enhancement or update which ARM, in its absolute discretion decides, results in the creation of a new product

1.43 "**Validation Card**" shall mean the hardware identified in Schedule 2 Part D.

1.44 "**Vectors**" shall mean together the Test Chip functional vectors and Test Chip characterisation vectors identified in Schedule 2, Schedule 3 and Schedule 4.

1.45 "**Windows CE**" or "**WinCE**" shall mean any version Microsoft's hand-held operating system and applications platform software delivered by Microsoft to ARM.

1.46 "**Windows CE OAK**" shall mean the Windows CE OEM adaptation kit.

1.47 "**Windows CE Device**" or "**WinCE Device**" shall mean any semiconductor device designed and/or assembled by LGS which incorporates the WinCE operating system software.

2. ARM Deliverables and Provision of ARM Services

2.1 ARM shall deliver the ARM Deliverables and the Software Transfer Materials, to LGS, in accordance with the Delivery Schedule.

2.2 ARM shall apply reasonable skill and care in the provision of the ARM Services to LGS.

2.3 LGS shall provide, to ARM, all necessary accurate information, support and cooperation that may be reasonably required to enable ARM to provide the ARM Services to LGS in accordance with the Delivery Schedule.

2.4 ARM shall provide the following services to LGS;

(i) the Core Maintenance Services for the ARM720T Core, the ARM720TDSP Core and the Piccolo Core in accordance with the provisions of the Clause 12 of the 1996 Agreement mutatis mutandis.

(ii) the Software Maintenance Services for the ARM Software in accordance with the provisions of the Clause 13 of the 1996 Agreement mutatis mutandis.

(iii) the Training for the ARM720T Core, the ARM720TDSP Core and the Piccolo Core in accordance with the provisions of the Clause 12 of the 1996 Agreement mutatis mutandis.

For the avoidance of doubt, LGS do not need to pay any additional Core Maintenance Fee or Software Maintenance Fee set out in Schedule 12 of the 1996 Agreement for such services.

2.5 LGS acknowledges that adherence to the Delivery Schedule by ARM is dependent upon the receipt by ARM of certain deliverables from Microsoft. ARM shall not be liable for any departure from the Delivery Schedule which results directly or indirectly from any failure by Microsoft to deliver such deliverables to ARM in a timely manner provided that ARM has used reasonable efforts to secure timely delivery from Microsoft.

3. ARM7201TDSP Device Development

3.1 Subject to the provisions of Clauses 6.2 and 2.5, ARM shall use reasonable efforts to develop and deliver the ARM7201TDSP Transfer Materials to LGS in accordance with the Delivery Schedule.

3.2 Where LGS provides a requirements specification to ARM for the ARM Deliverables, ARM shall review the requirements specification in good faith and if the requirements specification is acceptable to ARM, then ARM shall approve it in writing prior to commencement of work under this Agreement. If the requirements specification is not acceptable to ARM then ARM shall recommend the changes to the requirements

specification that would make it acceptable to ARM. If, after ARM has approved the requirements specification, LGS requires that the requirements specification be revised for any reason, LGS shall be liable for the cost of any work required to comply with such revisions. ARM shall review any such requirement in good faith and shall deliver a reasonable quote for the performance of the additional work, to LGS, based on ARM's then standard scale of consulting charges.

Where ARM provides a device specification to LGS, LGS shall review the device specification and shall report, to ARM, in writing, within three(3) weeks of receipt of the device specification whether or not it is approved (such approval not to be unreasonably withheld) and if not approved the reasons for withholding approval. If the device specification is not approved by LGS because it fails to comply with LGS requirements specification as approved in Clause 3.2 then, ARM shall revise the device specification accordingly and resubmit it to LGS. This process shall be repeated until the device specification is approved by LGS. If, after LGS has approved the device specification, LGS requires that the device specification be revised for any reason, LGS shall be liable for the cost of any work required to comply with such revisions. ARM shall review any such requirement in good faith and shall deliver a reasonable quote for the performance of the additional work, to LGS, based on ARM's then standard scale of consulting charges.

ARM shall deliver, to LGS, a behavioural model which conforms to the device specification as approved under Clause 3.3. LGS, with ARM's support, shall check the behavioural model to determine whether or not the behavioural model conforms to the device specification as approved under Clause 3.3. LGS shall complete the checking of the behavioural model within thirty (30) days of its receipt from ARM, and upon completion of the checking shall promptly report, to ARM, in writing whether or not the behavioural model complies with the device specification. If LGS demonstrates that the behavioural model fails to comply with the device specification, ARM shall be responsible for Identifying the cause of such failure and shall use reasonable efforts to correct the problem and expedite the delivery to LGS of a corrected behavioural model. The parties shall repeat the above process until the behavioural model is approved by LGS. If, after LGS has approved the behavioural model, LGS requires that the behavioural model be revised for any reason, LGS shall be liable for the cost of any work required to comply with such revisions. ARM shall review any such requirement in good faith and shall deliver a reasonable quote for the performance of the additional work, to LGS, based on ARM's standard scale of consulting charges.

Where ARM is delivering layout to LGS, ARM shall;

(i) perform an LVS check in respect of such layout. The LVS check shall be deemed complete when either; (i) the LVS check indicates an exact match between the layout and the schematic netlist; or (ii) where all discrepancies between the layout and the schematic netlist have been reviewed by the parties with the foundry in good faith and a waiver agreed between ARM, LGS and the foundry;

(ii) perform layout simulation and provide test vectors for layout verification; and

(iii) perform a design rule check in respect of such layout by reference to the DRC file provided by LGS (where, for the purposes of this Clause 3.5(iii), LGS shall mean LGS or LGS chosen foundry, as appropriate) to ARM. The layout delivered to LGS by ARM shall be deemed to comply with the LGS design rules if the layout passes the DRC provided by LGS. The layout shall be deemed to pass the DRC when either, (i) The DRC log generated by

running the DRC on the layout reports no breach or breaches of the LGS design rules; or (ii) where all reported breach or breaches have been reviewed by the parties and where appropriate the LGS chosen foundry in good faith and a waiver agreed between ARM, LGS and the foundry. ARM shall have no responsibility for any inconsistency between the DRC file provided by LGS and LGS corresponding design rules nor shall ARM be responsible for any failure by the DRC provided by LGS to comprehensively test for compliance with the LGS corresponding design rules.

3.6 Following delivery of any complete layout, by ARM, to LGS, LGS shall manufacture the ARM7201TDSP Device. With support from ARM, LGS shall test the prototypes of the ARM7201TDSP Device to determine whether or not the functionality and performance of the prototypes conforms to the device specification approved by LGS in accordance with the provisions of Clause 3.3. ARM shall continue to support LGS in the testing of the ARM7201TDSP Device until such device is approved by LGS. Upon completion of the testing of the prototypes, LGS shall promptly report to ARM, in writing, whether or not the prototypes comply with the device specification and in the event that LGS believes that the prototypes do not comply with the device specification, LGS shall provide ARM with details of such non-compliance. ARM shall be responsible for identifying the cause of such non-compliance and shall use reasonable endeavours to amend the layout such that revised prototypes can be manufactured which do comply with the device specification. The parties shall repeat the above process until the prototypes are approved by LGS.

4. Software Development

4.1 Subject to the provisions of Clauses 6.2 and 2.5, ARM shall use reasonable efforts to develop and deliver the Software and the Software Transfer Materials to LGS in accordance with the Delivery Schedule.

4.2 LGS shall review the Specification and shall report, to ARM, in writing, within thirty (30) days of receipt of the Specification whether or not it is approved (such approval not to be unreasonably withheld) and if not approved the reasons for withholding approval. If the Specification is not approved by LGS, ARM shall revise the Specification accordingly and resubmit it to LGS. This process shall be repeated until the Specification is approved by LGS. If, after LGS has approved the Specification, LGS requires that the Specification be revised for any reason, LGS shall be liable for the cost of any work required to comply with such revisions. ARM shall review any such requirement in good faith and shall deliver a reasonable quote for the performance of the additional work, to LGS, based on ARM's then standard scale of consulting charges.

4.3 Within forty (40) days of receipt of each Beta Release by LGS, LGS shall test the Beta Release and report any bugs or non-compliance with the Specification to ARM. If any bugs or non-compliance are reported, ARM shall revise the Beta Release accordingly and resubmit it to LGS within twenty (20) days of receipt of the non-compliance report regarding the Beta Release. This process shall be repeated until the Beta Release is approved by LGS, provided, however, that the total period of time for such repeat shall be limited to eighty (80) days. It LGS fails to test a Beta Release and deliver a report of non-compliance to ARM within forty (40) days of receipt of the Beta Release, then such Beta Release shall be deemed to be accepted by LGS.

4.4 Within forty (40) days of receipt of the Final Release by LGS, LGS shall provide written confirmation of approval of the Final Release to ARM. If any bugs or

non-compliance are reported. ARM shall revise the Final Release accordingly and resubmit it to LGS within twenty (20) days of receipt of the non-compliance report regarding the Final Release. This process shall be repeated until the Final Release is approved by LGS, provided, however, that the total period of time for such repeat shall be limited to sixty (60) days. If LGS fails to-deliver confirmation of approval to ARM within forty (40) days of receipt of the Final Release by LGS, then the Final Release shall be deemed to be approved by LGS.

5. Fees and Terms of Payment

5.1 In consideration of the licenses granted by ARM, to LGS, for the ARM7201TDSP Device, the ARM720T Core, the Piccolo Core, the Software and other ARM Deliverables and the Win CE Consortium rights set out in Schedule 12, LGS shall pay to ARM; (i) a tee (Technology Fee") of [*****] in accordance with the provisions of Schedule 7 allocated as follows;

ARM7201TDSP Device, ARM720T Core,	
Win CE Consortium rights set out in Schedule 12 and Software	[*****]
Piccolo Core with WinCE Device	[*****]
Piccolo Core with any integrated circuit	[*****]

and (ii) Running Royalties in accordance with the provisions of Clause 5.

5.2 LGS shall pay, to ARM, all reasonable travelling accommodation and sustenance expenses necessarily incurred by ARM when visiting LGS, or LGS agent's premises in performance of ARM's obligations under this Agreement.

5.3 For each unit of ARM Compliant Product incorporating an ARM720T Core or a Modified ARM720T Core sold, supplied or distributed by LGS, LGS shall pay a royalty ("Running Royalty") in accordance with the Running Royalty table set out in Schedule 6.

5.4 For each unit of ARM Compliant Product or other integrated circuit which incorporates a Piccolo Core sold, supplied or distributed by LGS, LGS shall pay a royalty ("Running Royalty") calculated in accordance with the Running Royalty Rate tables set out in Schedule 6.

5.5 LGS shall pay the fees, to ARM, in accordance with the provisions of this Clause 5.

5.6 Reporting and payment any Running Royalties shall be submitted to ARM, by LGS, in accordance with the terms set out in Schedule 6 of the 1996 Agreement.

5.7 The Element of the Technology Fee due in respect of the Win CE Consortium rights shall be due as follows;

On the Effective Date	[*****]
On availability of Beta of Tools Port from Microsoft (ARMv4 version only)	[*****]

[*****] - Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

On Release To Manufacturing by Microsoft of OAK for ARM (ARMv4 version only) Birch Version	[*****]
On Release To Manufacturing by Microsoft of the Windows CE Port for ARM (ARMv4 version only) Birch version	[*****]

The balance of the Technology Fee shall be due under this Agreement in accordance with the payment schedule set out in Schedule 7.

5.8 In consideration of the Support and Maintenance Services provided by ARM, to ARM Partner, under Schedule 12, for a period of two (2) years from the Effective Date, ARM Partner shall pay to ARM, in advance, an annual fee ("Maintenance Fee") of [*****]. The Maintenance Fee for the first year following the Effective Date shall be deemed included within the Consortium Fee. The Maintenance Fee for the second year following the Effective Date shall be due upon the anniversary of the Effective Date.

5.9 In consideration of the Development Services provided by ARM, to ARM Partner, under Schedule 12, for the period of two (2) years ending on the 30th June 1999, ARM Partner shall pay to ARM an annual development services fee ("Development Fee"). The Development Fee for the first year following the Effective Date shall be [*****] and shall be deemed included within the Consortium Fee. The Development Fee for the second year following the Effective Date shall be due in accordance with the provisions of Clause 5.10 and shall be determined by reference to the number of Members on the anniversary of the Effective Date as follows:

Number of Members	Development Fee (US$)
1 - 2	[*****]
3	[*****]
4	[*****]
5 and above	[*****]

5.10 Fifty percent (50%) of the Development Fee for the second year following the Effective Date shall be due on the first anniversary of the Effective Date. If provision of the Development Services is substantially procured by ARM by payments to BSquare or any third party contractor, then the balance of the Development Fee for the second year following the Effective Date shall be due only when ARM makes such payments to the third party. The amount of each installment due from ARM Partner shall be the same proportion of the balance of the Development Fee as the payment by ARM to the third party is a proportion of ARM's committed expenditure to the third party in that period. If provision of the Development Services is not substantially procured by ARM by payment to a third party, then the Development Fee shall be due only where ARM can demonstrate to ARM Partner a reasonable schedule for the availability of the next version of the Tools Port and in such event the balance of the Development Fee shall be due in four equal quarterly installments with the first installment due on the first anniversary of the Effective Date.

5.11 ARM warrants to ARM Partner that, for the period from the 30th June 1997 to 30th June 2000 (the "Initial Period"), the Consortium Fee payable by any third party shall be one million US dollars (US$1,000,000). If any more favourable rate is agreed with any third party during the Initial Period, then ARM shall refund, to ARM Partner, the difference between the Consortium Fee and the more favourable rate payable by the third party.

[*****] - Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

5.12 ARM further warrants to ARM Partner that the Maintenance Fees and Development Fees due in respect of the two (2) year period expiring on the 30th June 1999 (the "Initial Support Period"), shall be the same rates as set out in this Win CE Agreement for all Founder Members (together with, after the expiry of the Initial Period, Ordinary Members) subject always to the effect of the discount schedule applicable in respect of the second year of this Win CE Agreement as set forth in Clause 5.9 (the "Discount Schedule"). If any more favourable rates are agreed with another Founder or Ordinary Member during the Initial Support Period (other than where such more favourable rate is obtained by virtue of the operation of the Discount Schedule), then ARM shall refund, to ARM Partner, the difference between the Maintenance Fee or Development Fee, as appropriate, and the more favourable rate.

5.13 All sums due to ARM under this Agreement shall be paid net thirty (30) days of receipt by ARM Partner of an invoice therefor.

5.14 Any income or other tax which LGS is required by law to pay or withhold on behalf of ARM with respect to any license fees and/or royalties payable to ARM under this Agreement shall be deducted from the amount of such of license fees and/or royalties otherwise due, provided, however, that in regard to any such deduction, LGS shall give to ARM such assistance as may be necessary to enable or assist ARM to claim exemption therefrom, or credit therefor, and shall upon request furnish to ARM such certificates and other evidence of deduction and payment thereof as ARM may properly require.

5.15 If any sum due under this Agreement is not paid within thirty (30) days of receipt, by LGS, of an invoice therefor then, without prejudice to ARM's other rights and remedies, ARM reserves the right to charge interest on such sum on a day to day basis (as well after as before any judgement) from the date that such sum became due to the date of payment at the rate of two (2) per cent per annum above the base rate of Barclays Bank PLC from time to time in force.

6. LGS Deliverables

6.1 LGS shall deliver the LGS deliverables, to ARM, in accordance with the delivery schedule set out in Schedule 8 Part B.

6.2 If LGS fails to deliver the LGS Deliverables in accordance with the delivery schedule set out in Schedule 8 Part B and such failure prevents ARM from meeting any of its obligations under Clause 3.1, ARM shall be permitted to extend any relevant dependent dates in the Delivery Schedule for such period as is reasonable.

6.3 To the extent that it does not result in a disclosure of Confidential Information or a breach of LGS's or any third party Intellectual Property, nothing in this Agreement shall be construed to prevent ARM from using, in furtherance of ARM's normal business, ideas and know-how gained during the performance of the ARM Services and development of the ARM Deliverables and Software.

7. Provision of LGS Services

7.1 For the duration of this Agreement LGS shall provide the LGS Services, as required by ARM.

7.2 LGS shall apply reasonable skill and care in the provision of the LGS Services to ARM.

7.3 ARM shall provide, to LGS, all necessary accurate information, support and cooperation that may be reasonably required to enable LGS to provide the LGS Services to ARM.

8. Intellectual Property and Licences

General

8.1 Except as set out in this Agreement, all right, title and interest in any Intellectual Property in any or all of the ARM Deliverables and ARM Software shall vest in and be owned by ARM.

ARM720T Core Licence

8.2 Except to the extent that such terms and conditions have been varied by the terms of this Agreement, ARM hereby grants to LGS a licence, in respect of the ARM720T Core, the Modified ARM720T Core and/or the ARM720T Core Transfer Materials, upon the terms and conditions set out in Clause 2 of the 1996 Agreement (mutatis mutandis) in respect of the ARM7TDMI Core, the Modified ARM7TDMI Core and the ARM7TDMI Core Transfer Materials.

ARM Software Licence

8.3 Except to the extent that such terms and conditions have been varied by the terms of this Agreement, ARM hereby grants to LGS a licence, in respect of the ARM Software, upon the terms and conditions set out in the 1996 Agreement (mutatis mutandis) in respect of the Models, Embedded ICE, PID7T, Configurable Device Programs, and Verification and Test as defined in the 1996 Agreement except that LGS shall also have the right to modify the ARM Software and the rights granted under the 1996 Agreement shall apply mutatis mutandis to any modified ARM Software developed by LGS by exercising such right.

Piccolo Core Licence

8.4 In consideration of the payment in accordance with the provisions set out in Schedule 7 in respect of the Piccolo Core, ARM hereby grants to, LGS, subject to the terms and conditions of the 1996 Agreement mutatis mutandis a non-transferable, non-exclusive, world-wide licence, with the right to sub-license to LGS's Subsidiary, to use, modify (subject to the provisions of Clauses 2.2 and 2.3 of the 1996 Agreement mutatis mutandis) and copy the Piccolo Core and/or the Piccolo Transfer Materials for the purposes of creating, developing, having developed, manufacturing, having manufactured (subject to the provisions of Clauses 2.4 and 2.5 of the 1996 Agreement mutatis mutandis), and selling, supplying and distributing to any third party, ARM Compliant Products or any other semiconductor products.

Software Modem Licence

8.5 In the event that ARM owns or has secured the right from a third party to sub-licence, a 56K6bps software modem, ARM shall not unreasonably withhold a licence, to LGS, in respect of such 56K6bps software modem on usual commercial terms.

Software Licence

8.6 LGS hereby acknowledges and represents that ARM has advised LGS that an OEM Agreement with Microsoft is necessary in order to obtain license rights to the Microsoft WinCE software and that LGS's intended customers should communicate with Microsoft concerning such a proposed license agreement prior to signature of this Agreement.

8.7 ARM shall use reasonable efforts to secure the rights from Microsoft, subject to Microsoft's rights and interests in the Device Driver Software to sub-license, to Recipient the non-exclusive, non-transferable, worldwide right under ARM's Intellectual Property, to copy, use, modify, sell, supply and distribute the Device Driver Software in conjunction with software licensed from Microsoft. ARM shall use reasonable efforts to assist LGS in entering into a Microsoft Windows CE Development and Testing Agreement (or its equivalent) with Microsoft.

8.8 ARM shall use reasonable efforts to secure the rights from Microsoft, subject to Microsoft's rights and interests in the OAL Software to sub-license, to Recipient, the non-exclusive, non-transferable, worldwide right under Intellectual Property jointly owned by ARM and Microsoft, to copy, use, modify, sell, supply and distribute the OAL Software in conjunction with software licensed from Microsoft. ARM shall use reasonable efforts to assist LGS in entering into a Microsoft Windows CE Development and Testing Agreement (or its equivalent) with Microsoft.

ARM7201TDSP Device Licence

8.9 Except to the extent that such terms and conditions are varied by the terms and conditions of this Agreement, the ARM7201TDSP Device shall be deemed to be an ARM Compliant Product and the terms of the 1996 Agreement shall apply accordingly.

8.10 ARM hereby grants, to LGS, under ARM's Intellectual Property, a worldwide, non-exclusive, perpetual (subject to termination in accordance with the provisions of Clause 13), non-transferable, licence to use, modify (subject to the provisions of Clause 2.2 of the 1996 Agreement in respect of the ARM720T Core and Piccolo Core), have modified (subject to the provisions of Clause 2.4 of the 1996 Agreement mutatis mutandis and the provisions of Clause 2.2 of the 1996 Agreement mutatis mutandis in respect of the ARM720T Core and Piccolo Core), design, have designed (subject to the provisions of Clause 2.4 of the 1996 Agreement mutatis mutandis and the provisions of Clause 2.2 of the 1996 Agreement mutatis mutandis in respect of the ARM720T Core and Piccolo Core) and copy the ARM7201TDSP Transfer Materials for the purpose of exercising the licence granted below;

ARM hereby grants to LGS under ARM's Intellectual Property a worldwide, exclusive, perpetual (subject to termination in accordance with the provisions of Clause 13), transferable licence to use, modify (subject to the provisions of Clause 2.2 of the 1996 Agreement mutatis mutandis in respect of the ARM720T Core and Piccolo Core), have modified (subject to the provisions of Clause 2.4 of the 1996 Agreement mutatis mutandis and the provisions of Clause 2.2 of the 1996 Agreement mutatis mutandis in respect of the ARM720T Core and Piccolo Core) copy, manufacture, have manufactured (subject to the provisions of Clause 2.4 of the 1996 Agreement) sell, supply and distribute to third parties the ARM7201TDSP Device and any derivative of the ARM7201TDSP Device created under the licences granted in this Clause.

Other ARM Deliverables Licence

8.11 ARM shall, under ARM's Intellectual Property, grants to LGS a worldwide, non-exclusive, non-transferable, paid-up and perpetual license, with the right to sub-license to LGS's Subsidiary, to use, modify, design, have designed and copy the peripheral circuits incorporated in the ARM7201TDSP Device for the purpose of creating, developing, having developed, manufacturing, having manufactured, and selling, supplying and distributing to any third party, ARM Compliant Products and/or any semiconductor product which incorporates the peripheral circuits incorporated in the ARM7201TDSP Device.

LG Affiliates's Licence

8.12 LGS may exercise the right to include any LG Affiliate as a licencee of ARM provided that:

(i) such LG Affiliate agrees in writing to be bound by the obligations of LGS and to comply with all the terms and conditions of this Agreement. LGS shall deliver to ARM a copy of the LG Affiliate's undertaking within thirty (30) days of the execution of such undertaking;

(ii) any breach of the terms and conditions of this Agreement by a LG Affiliate shall constitute a breach of this Agreement by LGS;

(iii) any termination of this Agreement shall be effective in respect of all LG Affiliates.

LGS Deliverables Licence

8.13 All right, title and interest in any intellectual property in the LGS Deliverables shall vest in and be owned by LGS.

8.14 LGS hereby grants, to ARM, a non-exclusive licence to use, copy and modify LGS Deliverables solely for the purpose of developing the ARM7201TDSP Device.

9. Confidentiality

9.1 During the course of this development, ARM and LGS may exchange information which is of a secret or confidential nature and which is neither already known to the recipient nor in the public domain either at the time of disclosure or subsequently through no fault of the recipient (the "Confidential Information"). ARM Confidential Information shall include but shall not be limited to; (i) the source code for the Software; and (ii) all underlying ideas, principles and information derived by LGS from observing, studying and testing the functioning of the Software. The party receiving Confidential Information hereunder (the "Recipient") shall use the same standard of care, but in any event no less than a reasonable standard of care, to prevent the unauthorised use, dissemination or publication of such Confidential Information, as it uses to protect its own confidential information of a similar nature.

9.2 The Recipient is hereby authorised to disclose such of the Confidential Information to third party sub-contractors or consultants as is necessary for the performance by the sub-contractor or consultant of any of the work under this Agreement that is assigned to it provided always that any such subcontractor or consultant is bound by provisions of confidentiality no less stringent than those provided by Clause 9.1.

9.3 Except as provided by this Agreement the Recipient shall not commercially exploit nor permit others to commercially exploit any Confidential Information.

9.4 Except with the other party's express prior written consent (which shall not be unreasonably withheld), neither party shall make any press announcements or publicise the contents or existence of this Agreement in any way.

10. ARM Warranties and Indemnities

10.1 Except as expressly provided in this Agreement, the ARM720T Core Transfer Materials, ARM7201TDSP Transfer Materials, Piccolo Core Transfer Materials and Software are supplied "as is" and ARM makes no representations and gives no warranties express, implied or statutory, including, without limitation, the implied warranties of satisfactory quality or fitness for a particular purpose in respect thereof.

10.2 ARM warrants that; (i) the ARM7201TDSP Transfer Materials shall be consistent and sufficient for a competent semiconductor manufacturer to fabricate the ARM7201TDSP Device which conforms to the device specification approved by LGS in accordance with the Clause 3.2 and 3.3; (ii) the ARM720T Core Transfer Materials shall be consistent and sufficient for a competent semiconductor manufacturer to fabricate the ARM720T Core which conforms to the functionality specified in the ARM Datasheet Doc. No. ARM DDI (00XX); and (iii) the Piccolo Core Transfer Materials shall be consistent and sufficient for a competent semiconductor manufacturer to fabricate the Piccolo Core which conforms to the functionality specified in the ARM Datasheet Doc. No. ARM DDI 0089. LGS sole and exclusive remedy for any breach of this warranty shall be for ARM to correct any errors in the ARM Deliverables and deliver such corrected deliverables to LGS.

10.3 ARM does not warrant the adequacy of any device specification, approved by LGS, with respect to LGS intended use and ARM shall not be responsible for the circuit performance of the ARM7201TDSP Device in LGS intended application.

10.4 ARM shall not be liable for any;

(i) recoverable or non-recoverable costs incurred, directly or indirectly, in the processing, or manufacture of masks and prototypes, characterisation or manufacture of production quality silicon in whatever quantity; or

(ii) defect in the ARM7201TDSP Device caused by a fault in the LGS or LGS agent's manufacturing process.

10.5 After the period of sixty (60) days following approval of the prototypes of the ARM7201 Device in accordance with the provisions of Clause 3.6, ARM shall not be liable for any changes necessary to any layout.

10.6 LGS acknowledges that the Software cannot be tested in every possible operation, and accordingly ARM does not warrant that the Software will be free from all defects or that there will be no interruption in its use. ARM warrants for the period of twelve (12) months from the delivery of the Software to LGS that the Software will be complete and exhibit the functionality described in the Specification. LGS's sole and exclusive remedy for any breach of the warranty in this Clause 10.6 shall be for ARM, as soon as is reasonably practicable, to correct any errors in the Software and deliver such corrected Software to LGS.

10.7 ARM warrants, to LGS, that;

(i) to ARM's knowledge (but expressly without having undertaken any searches for prior art) the Intellectual Property in the ARM720T Core Transfer Materials, ARM7201TDSP Transfer Materials, Piccolo Core Transfer Materials and Software does not infringe any third party copyright, design right, registered design right, trade secret or maskwork right; and

(ii) as at the date of entering into this Agreement, ARM has not received written notice of any claim, and no actions have been commenced or threatened, against ARM for infringement of any third party Intellectual Property; and

(iii) ARM has the right to enter into this Agreement.

10.8 If any part of the ARM720T Core Transfer Materials, ARM7201TDSP Transfer Materials, Piccolo Core Transfer Materials and Software becomes the subject of a claim brought against LGS on the issue of infringement of the Intellectual Property of any third party or if the use or licensing of any part of the ARM720T Core Transfer Materials, ARM7201TDSP Transfer Materials, Piccolo Core Transfer Materials and Software is restricted in any way, then ARM at its option and expense may;

(i) obtain for LGS the right to continue to use the ARM720T Core Transfer Materials, ARM7201TDSP Transfer Materials, Piccolo Core Transfer Materials and Software;

(ii) replace or modify the ARM720T Core Transfer Materials, ARM7201TDSP Transfer Materials, Piccolo Core Transfer Materials and Software so that they become non-infringing; or

(iii) offer reasonable compensation to LGS for the direct loss suffered by LGS up to a maximum of all sums paid by LGS to ARM under this Agreement.

ARM shall have no liability under this Clause it the alleged infringement results from;

(a) compliance with the LGS requirement specification or the Specification, as the case may be, and such alleged infringement is unavoidable in providing such compliance;

(b) the combination, use or operation of the ARM720T Core Transfer Materials, ARM7201TDSP Transfer Materials, Piccolo Core Transfer Materials and Software in connection or combination with any equipment, device or software not developed and supplied by ARM and such alleged infringement would have been avoided in the absence of such combination; or

(c) the modification of the ARM720T Core Transfer Materials, ARM7201TDSP Transfer Materials, Piccolo Core Transfer Materials and Software by the LGS or any third party unless the modification was made or approved by ARM,

(d) infringement by any manufacturing process applied to the ARM720T Core Transfer Materials, ARM7201TDSP Transfer Materials, Piccolo Core Transfer Materials and Software.

10.9 The foregoing states the entire liability of ARM for infringement by the Intellectual Property in the ARM Deliverables and Software, of third party Intellectual Property.

11. LGS Warranties and Indemnities

11.1 LGS warrants, to ARM, that;

(i) to LGS knowledge (but expressly without having undertaken any searches for prior art), the Intellectual Property in the LGS Deliverables does not infringe any third party copyright, design right, registered design right, maskwork right, or trade secret; and

(ii) LGS has the right to enter into this Agreement.

11.2 If compliance, by ARM, with LGS designs, specifications or instructions, or use, by ARM, of Intellectual Property received from LGS or LGS agent, results in ARM being subject to a claim for infringement of any Intellectual Property of a third party, LGS, at its option and expense, may;

(i) obtain for ARM the right to continue to use the LGS Deliverables;

(ii) replace or modify the LGS Deliverables so that they become non-infringing; or

(iii) offer reasonable compensation to ARM for the direct loss suffered by ARM up to a maximum of all sums paid by LGS to ARM under this Agreement.

11.3 The foregoing states the entire liability of LGS for infringement by the Intellectual Property in the LGS Deliverables, of third party Intellectual Property.

12. Limitation of Liability

12.1 IN NO EVENT SHALL EITHER PARTY BE LIABLE UNDER THE AGREEMENT FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES WHETHER SUCH DAMAGES ARE ALLEGED AS A RESULT OF TORTIOUS CONDUCT OR BREACH OF CONTRACT OR OTHERWISE EVEN IF THE OTHER PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. SUCH DAMAGES SHALL INCLUDE BUT SHALL NOT BE LIMITED TO THE COST OF REMOVAL AND REINSTALLATION OF GOODS, LOSS OF GOODWILL, LOSS OF PROFITS, LOSS OR USE OF DATA, INTERRUPTION OF BUSINESS OR OTHER ECONOMIC LOSS BUT NOTHING IN THIS CLAUSE SHALL OPERATE TO EXCLUDE LIABILITY FOR DEATH OR PERSONAL INJURY RESULTING FROM EITHER PARTY'S NEGLIGENCE.

12.2 EACH PARTY'S LIABILITY FOR THE AGGREGATE OF ALL CLAIMS IN ANY WAY ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT SHALL NOT EXCEED THE SUM OF ALL FEES PAID TO ARM BY LGS UNDER THE PROVISIONS OF THIS AGREEMENT.

13. Term and Termination

13.1 This Agreement shall commence on the Effective Date and shall continue in force until termination in accordance with the provisions of Clause 13.2.

13.2 Without prejudice to any other right or remedy which may be available to it and except as provided to the contrary elsewhere in this Agreement, either party shall be entitled summarily to terminate this Agreement by giving written notice to the other;

(i) If the other party has committed a material breach of any of its obligations hereunder which is not capable of remedy; or

(ii) if the other party has committed a material breach of any of its obligations hereunder which is capable of remedy but which has not been remedied within a period of thirty (30) days following receipt of written notice to do so; or

(iii) if the other party makes any voluntary arrangement with its creditors or becomes subject to an administration order; or

(iv) if the other party has an order made against it, or passes a resolution, for its winding-up (except for the purpose of bona fide solvent amalgamation or reconstruction) or has an encumbrancer take possession or has a receiver or similar officer appointed over a material part of its property or assets.

13.3 LGS and ARM acknowledge that each and every term and condition of this Agreement has been fully and completely negotiated and such terms and conditions closely related to each other. In the event that the Korean Governmental authorities, including the Korean Fair Trade Commission, during the review of this Agreement require a modification to one or more of the clauses of this Agreement, ARM shall have the option to renegotiate the entire Agreement or accept the applicable modification of the Agreement as required by such governmental authorities.

14. Effect of Termination

14.1 Upon termination of this Agreement by ARM In accordance with the provisions of Clause 13.2, the license and rights granted by ARM to LGS hereunder shall terminate. LGS shall, at ARM's option, either destroy or return to ARM any Confidential Information, including any copies thereof and any ARM Deliverables in LGS's possession. Within one month after termination of this Agreement in accordance with this Clause 14.1, LGS will furnish to ARM a certificate signed by a duly authorised officer of LGS that to the best of his or her knowledge, information and belief, LGS has complied with provisions of this Clause.

14.2 Upon termination of this Agreement, by LGS under the provisions of Clause 13.2; (i) the rights granted to LGS under Clause 8 (except the licence granted under Clause 8.4) shall survive such termination; (ii) LGS shall be entitled to retain any ARM Deliverables delivered by ARM to LGS prior to such termination; and (iii) ARM shall deliver any then partially completed ARM Deliverables to LGS. The licence granted under Clause 8.4 shall survive only in respect of any semiconductor product which is already under development by LGS at the date of termination under the provisions of this Clause and the survival of such licence shall be subject to a continuing obligation for LGS to pay the appropriate fee in the event that such product is the subject of a Design Win Event.

14.3 The provisions of Clauses 1, 5 (to the extent that any payment has accrued and is outstanding) 8, 9, 10, 11, 12, 13, 14 and Schedule 12 shall survive termination of this Agreement.

15. General

Notices	All notices which are required to be given hereunder shall be in writing and shall be sent to the address of the recipient set out in this Agreement or such other address as the recipient may designate by notice given in accordance with the provisions of this Clause. Any such notice may be delivered personally, by commercial overnight courier, or facsimile transmission which shall be followed by a hard copy and shall be deemed to have been served if by hand when delivered, if by commercial overnight courier 48 hours after deposit with such courier, and it by facsimile transmission when transmitted.
Assignment	Neither party shall assign or otherwise transfer this Agreement or any of its rights and obligations hereunder whether in whole or in part without the prior written consent of the other, such consent not to be unreasonably withheld.
Non-association	ARM and LGS are independent parties. Neither party's company nor their employees, consultants, contractors or agents, are agents, employees or joint venturers of the other party, nor do they have the authority to bind the other party by contract or otherwise to any obligation. Neither party shall represent to the contrary, either expressly, or implicitly.
Waiver	Failure by either party to enforce any provision of this Agreement shall not be deemed a waiver of the right to enforce that or any other provision in the future.
Force Majeure	ARM shall not be liable to LGS for any delay in or failure to perform its obligations under this Agreement as a result of any cause beyond ARM's reasonable control, including but not limited to any industrial dispute or failure by a supplier to deliver a relevant deliverable to ARM on time. If such delay continues for a period of more than ninety (90) days, then either party shall be entitled to terminate this Agreement by written notice and the provisions of Clause 14.2 shall apply.
Entire Agreement	These terms and conditions apply in preference to and supersede any terms and conditions referred to, offered or relied upon by LGS whether in negotiation or at any stage in the dealings between ARM and LGS with reference to this Agreement. Without prejudice to the generality of the foregoing, ARM will not be bound by any standard or printed terms and conditions furnished by LGS in any of its documents. No amendment to, or modification of, this Agreement shall be binding unless in writing and signed by a duly authorised representative of both parties.
Severance	If any provision of this contract is held invalid, illegal or unenforceable for any reason by any court of competent jurisdiction such provision shall be severed and the remainder of the provisions shall continue in full force and effect as if this Agreement had been executed with the invalid provisions eliminated. In the event of a holding of invalidity so fundamental as to prevent the accomplishment of the purpose of this Agreement, ARM and LGS shall immediately commence good faith negotiations to remedy such invalidity.
English Law	This Agreement shall be considered as a contract made in England and according to English Law. In the event that ARM commences proceedings against LGS under this Agreement, the parties agree to submit to the jurisdiction of the Seoul District Court, Korea, for the purpose of hearing and determining

any disputes arising out of this Agreement. In the event that LGS commence proceedings against ARM under this Agreement, the parties agree to submit to the jurisdiction of the High Court of Justice, London, England, for the purpose of hearing and determining any disputes arising out of this Agreement.

IN WITNESS WHEREOF the parties have caused this Agreement to be signed by their duly authorised representative:

ADVANCED RISC MACHINES LIMITED

BY: /s/ R.K.Saxby
NAME: R.K.Saxby
TITLE: President & Ceo

LG SEMICON CO., LIMITED

BY: /s/ B. D. Sun
NAME: Sun Byung-Don
TITLE: Executive Vice President

TECHNOLOGY LICENCE AGREEMENT

between

ADVANCED RISC MACHINES LIMITED

and

LG SEMICON COMPANY LIMITED

dated

5th OCTOBER 1995

[*****] - Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

This **Technology Licence Agreement** (the "Agreement") is made the 5th day of October 1995

BETWEEN

ADVANCED RISC MACHINES LIMITED whose registered office is situated at Fulbourn Road, Cherry Hinton, Cambridge CB1 4JN, England ("**ARM**")

and.

LG SEMICON COMPANY LIMITED whose principal place of business is situated at 16 Woomyeon-dong, Seocho-gu, Seoul 137-140, Korea ("LGS")

WHEREAS

ARM is the owner of certain Intellectual Property, Intellectual Property Derivatives and the know-how to manufacture the ARM Cores, AMBA and the Peripherals as such terms are defined below.

LGS has requested ARM, and ARM has agreed, to license LGS to manufacture and distribute certain ARM products and thereby to make use of certain portions of the Intellectual Property and Intellectual Property Derivatives as set forth in this Agreement.

Therefore, in consideration of the mutual representations, warranties, covenants, and other terms and conditions contained herein, the parties agree as follows:

1. Definitions

1.1 "ARM Compliant Product" shall mean any single silicon chip developed by LGS which:

(i) contains, at a minimum, an ARM Core or Modified ARM Core; and

(ii) implements an ARM Core or Modified ARM Core which has been verified in accordance with the provisions of Clause 3.

1.2 "ARM7 Core" shall mean the device as described and identified in the ARM7 datasheet:
ARM DDI-0020C.

1.3 "ARM7l0a Core" shall mean the device as described and identified in the ARM710a Macrocell datasheet: ARM DDI — 0033C.

1.4 "ARM Core(s)" shall mean, jointly and severally where the context admits, the ARM7 and ARM710a Cores.

1.5 "ARM Instruction Set" shall mean the instruction set as defined in the ARM7 datasheet

1.6 "Authorized Distributor" shall mean those distributors appointed, in writing, by LGS.

1.7 "Confidential Information" shall mean: (i) any trade secrets relating to the ARM Cores and Transfer Materials (ii) any information designated in writing by either party as confidential which if disclosed verbally is reduced to writing within thirty (30) days after its oral disclosure; and (iii) the terms and conditions of this Agreement

1.8 “Effective Date” shall mean the date of this Agreement or the date upon which the Korean Government gives approval to this Agreement, whichever is the later, subject always to the provisions of Clause 18.4.

1.9 “End User Licence” shall mean a licence agreement substantially conforming to that agreement set forth in Schedule 9.

1.10 “Half Year” shall mean each calendar half year ending the 30th June and 31st December of any year.

1.11 “HP” shall mean any Hewlett Packard compatible computer running HP-UX v9.0.3 (and later versions as may be mutually agreed).

1.12 “IBM PC” shall mean any computer, 486 (or above) processor based IBM AT architecture, having, at a minimum, 16Mb RAM, 10Mb hard disc space and running Microsoft DOS v6.2 (and later versions as may be mutually agreed) and, where appropriate, Microsoft Windows v3.11, Windows 95 or Windows NT. ARM will use reasonable endeavours, in collaboration with LGS, to ensure the Software operates on reputable IBM PC compatible computers provided that such operation is not constrained by significant hardware or software deficiencies.

1.13 “Intellectual Property” shall mean any patents, patent rights, trade marks, service marks, registered designs, topography or semiconductor maskwork rights, applications for any of the foregoing, copyright, know-how, unregistered design right, confidential information, any Intellectual Property Derivatives, and any other similar protected rights in any country, which are taken into use in the design, use or production of ARM Cores, AMBA, Peripherals, Software or Transfer Materials.

1.14 “Intellectual Property Derivatives” shall include: (i) for copyrightable or copyrighted material, any translation, abridgement, revision or other form in which an existing work may be recast, transformed or adapted; (ii) for work protected by topography or mask right, any translation, abridgement, revision or other form in which an existing work may be recast, transformed or adapted; (iii) for patentable or patented material, any improvement created by ARM; and (iv) for material protected by trade secret any new material derived from or employing such existing trade secret.

1.15 “LG Affiliate” shall mean each of the companies set forth in Schedule 13.

1.16 “LG Group Company” shall mean each of the companies identified in Schedule 10.

1.17 “LGS Users” shall mean LGS (or any LG Group Company) when incorporating an ARM Compliant Product, distributed pursuant to this Agreement, for use in LGS’s (or such LG Group Company’s) end user products.

1.18 “LGS Materials” shall mean such of the Transfer Materials (or any additional materials) as are necessary to enable ARM, in respect of any Modified ARM Core and modified Peripheral, to exercise the rights set forth in Clause 2.3.

1.19 “Models” shall mean the source code and object code of the programs described in Schedule 4 together with such Updates, if any, as are developed by or for ARM.

1.20 “Modified ARM Core” shall mean any ARM Core modified in accordance with the provisions of Clause 2.2.

1.21 “NSP” shall mean the net sales price of any ARM Compliant Product calculated by taking the aggregate invoice price charged on arm’s length terms by LGS and its Subsidiaries in the sale or distribution of any ARM Compliant Product, less any (i) value added, turnover, import, or other tax, duty or tariff payable thereon (ii) freight and insurance costs incurred

and (iii) amounts actually repaid or credited with respect to any ARM Compliant Products returned.

In the event that ARM, in its discretion, considers that the NSP for any ARM Compliant Product charged to LGS Users is materially below the open market value for such ARM Compliant Product, the NSP shall be deemed to be: in the case of the sale or distribution of any ARM Compliant Product to LGS Users, the net sales price for such ARM Compliant Product sold by LGS to third parties; and in the case of the sale or distribution of ARM Compliant Products manufactured for, and supplied solely to, LGS Users, at a minimum, the sum of:

(i) the cost of materials and the cost of fabrication or such other processing of such ARM Compliant Product; and

(ii) an amount for general expenses and profit equal to that usually reflected in the sales to third parties of products of the same general class or kind as the ARM Compliant Product; and

(iii) the cost of all packaging.

1.22 "Peripherals" shall mean the macrocells designs as each are described and identified in Schedule 2.

1.23 "PIE Card" shall mean the device identified in the ARM7 PIE Card User Guide: ARM DUI - 0011B together with the Release Notes for the ARM710a PIE Card Kit.

1.24 "Software" shall mean together the Models, Tools and Test.

1.25 "Subsidiary" shall mean any company the majority of whose voting shares is now or hereafter owned or controlled, directly or indirectly, by a party hereto or any company a majority of whose voting shares is now or hereafter owned or controlled, directly or indirectly, by any of the aforementioned entities. A company shall be considered a Subsidiary only so long as such control exists.

1.26 "Sun/SPARC" shall mean any Sun/SPARC compatible computer running SunOS v4.1.3_ul (and later versions as may be mutually agreed).

1.27 "Test" shall mean the source code and object code of the programs described in Schedule 6 together with such Updates, if any, as are developed by or for ARM.

1.28 "Tools" shall mean the Sun/SPARC, IBM PC and HP versions of source code and object code of the programs described in Schedule 5 together with such Updates, if any, as are developed by or for ARM.

1.29 "Trademarks" shall mean the trademarks, service marks and logos set forth in Schedule 7.

1.30 "Transfer Materials" shall mean that technical information with respect to the ARM Cores, AMBA and Peripherals as set forth in Schedule 3.

1.31 "Updates" shall mean any bug fixes or enhancements to the Software the incorporation of which ARM, in its absolute discretion, decides does not cause to be created a new product.

1.32 "Use" shall mean copying the programs identified in Schedule 4 and Schedule 5 Part A onto a computer for the purposes of processing the instructions or statements contained therein, but excluding disassembly, reverse assembly, or reverse compiling except as permitted by local legislation implementing Article 6 of the EC Software Directive and only to the extent necessary to achieve interoperability of an independently created program with other

programs. Disassembly, reverse assembly, or reverse compiling for the purpose of error correction is specifically prohibited.

1.33 "Validation Vectors" and "Functional Test Vectors" shall mean those test patterns identified in Schedule 3 as items B7a, B7b, B9, D7a and D7b respectively.

1.34 "AMBA" shall mean ARM's Advanced Module Bus Architecture as identified in the AMBA Draft Specification, document reference ARM IHI-0001C, and any future version thereof released by ARM.

2. Licence

2.1 ARM hereby grants to LGS, under ARM's Intellectual Property rights, a perpetual (subject to Clause 18), non-transferable (subject to Clause 20.3), non-exclusive, world-wide right and licence to:

(i) use, modify (subject to the provisions of Clauses 2.2 and 2.3) and copy the Transfer Materials and/or any Intellectual Property solely for the purposes of creating, developing, manufacturing, having manufactured (subject to the provisions of Clauses 2.4 and 2.5), and selling, supplying and distributing to any third party (subject to the provisions of Clause 2.6), ARM Compliant Products;

(ii) use and copy the Transfer Materials and/or any Intellectual Property specific to AMBA for the purposes of creating, developing, manufacturing, having manufactured (subject to the provisions of Clauses 2.4 and 2.5), and selling, supplying and distributing to any third party any product developed by LGS;

(iii) modify, translate, reproduce and distribute, subject to the confidentiality obligations set forth in Clause 14, the documentation identified in Schedule 3.

2.2 LGS may modify:

(i) the internal logic of any ARM Core and/or Peripheral;

(ii) the layout of any ARM Core and/or Peripheral where necessary for the purposes of manufacturing such ARM Core or Peripheral on another CMOS process;

(iii) the ARM710a Core (provided that ARM7 Core contained therein shall not be modified except as provided by (i) and (ii) above).

PROVIDED ALWAYS THAT the ARM7 Core retains compatibility with the ARM Instruction Set. A modified ARM Core will be deemed compatible provided that ARM7 Core contained therein (i) executes each and every instruction contained in the ARM7 Core's Instruction Set; (ii) executes the instructions at an identical rate of clocks per instruction as the ARM7 Core from which it was derived; and (iii) runs the Validation Vectors and Functional Test Vectors.

2.3 LGS hereby grants to ARM, in respect of all modifications made to the ARM Cores and Peripherals ("Modifications"), a perpetual and irrevocable, royalty-free, non-transferable, non-exclusive, world-wide right and licence to manufacture, have manufactured, modify, create derivative works of, use, sell, supply and distribute all Modifications and sub-license others to exercise similar rights with respect to such Modifications. In pursuance of the licence to all Modifications hereby granted, LGS shall:

2.3.1 prior to any prototype production of the first ARM Compliant Product including any Modification, deliver to ARM, in writing, a full technical description of such proposed Modification; and

2.3.2 within thirty (30) days of the first shipment of the first ARM Compliant Product including any Modification, deliver to ARM the LGS Materials for such ARM Compliant Product including the Modification.

For the avoidance of doubt, nothing in this Clause 2.3 shall be construed as granting to ARM any right or licence to any peripheral devices owned by LGS which are integrated around the ARM Core.

2.4 LGS may exercise its right to have manufactured ARM Compliant Products provided that:

(i) LGS notifies ARM of the identity of LGS's subcontracted manufacturer ("Manufacturer") not less than thirty (30) days prior to first prototype production by the Manufacturer, and

(ii) LGS ensures that any Manufacturer agrees (i) to be bound by the same obligations of confidentiality as are contained in this Agreement and (ii) to supply the ARM Compliant Products solely to LGS.

In the event that any Manufacturer breaches the provisions referred to in Clause 2.4, LGS agrees that such breach shall be treated as a material breach of this Agreement by LGS which is incapable of remedy. Further LGS hereby undertakes to keep ARM indemnified against all and any loss, liability, costs, damages, expenses (including the fees of lawyers and other professionals), suffered, incurred or sustained as a result of or in relation to such breach.

For the avoidance of doubt, in the event that LGS subcontracts only the packaging of ARM Compliant Products to a third party, LGS shall be released from the obligations of this Clause 2.4.

2.5 In the event that LGS subcontracts the packaging of ARM Compliant Products, LGS shall

(i) ensure that the packaging company agrees to supply the ARM Compliant Products solely to LGS; and

(ii) undertake to keep ARM indemnified against all and any loss, liability, costs, damages, expenses (including the fees of lawyers and other professionals), suffered, incurred or sustained as a result of or in relation to the breach of the provisions of Clause 2.5(i).

2.6 Notwithstanding anything to the contrary contained in this Agreement, for a period of fifteen (15) calendar months from the Effective Date, LGS shall not sell, supply or distribute any ARM Compliant Product to any third party other than a LGS User or ARM and/or its Subsidiaries. In the event that any LG User distributes any ARM Compliant Product, other than either (i) as a constituent part of LGS's (or such LG Group Company's) end user products or (ii) to ARM and/or its Subsidiaries, within the period specified in this Clause 2.6, LGS agrees that such use or distribution shall be treated as a material breach of this Agreement by LGS which is incapable of remedy thus entitling ARM to summarily terminate this Agreement in accordance with the provisions of Clause 18.2.

2.7 For the avoidance of doubt, no right is granted to LGS to:

(i) sublicense the rights licensed to LGS pursuant to Clause 2.1;

(ii) distribute any ARM Compliant Product prior to verification in accordance with Clause 3 except that in the event that it is the intention of LGS, and LGS do proceed, to verify a device in accordance with Clause 3, LGS may distribute (subject always to the provisions of Clause 2.6) a maximum of one hundred (100) prototype units of such device without having verified such device.

2.8 Save as licensed in Clause 2.1, LGS acquires no right, title or interest in and to the ARM Cores, AMBA, Peripherals, Transfer Materials and Intellectual Property. In no event shall the licence grant set forth in Clause 2.1 be construed as granting LGS, expressly or by implication, estoppel or otherwise, a licence to use any ARM technology or intellectual property other than that pertaining to the ARM Cores, AMBA and Peripherals.

2.9 During the term of this Agreement, LGS may exercise the right to include any Subsidiary as a licenece of ARM provided that:

(i) such Subsidiary agrees in writing, as set forth in Schedule 1, to be bound by the obligations of LGS and to comply with all the terms and conditions of this Agreement. LGS shall deliver to ARM a copy of the Subsidiary's undertaking within thirty (30) days of the execution of such undertaking;

(ii) any breach of the terms and conditions of this Agreement by a Subsidiary shall constitute a breach of this Agreement by LGS;

(iii) any termination of this Agreement as provided by Clause 18 shall be effective in respect of all Subsidiaries;

(iv) any licence, granted in accordance with the provisions of this Clause 2.9, shall automatically terminate upon any Subsidiary ceasing to be a Subsidiary.

2.10 During the term of this Agreement, but subject to the provisions of Clause 2.11, LGS may exercise the right to include any LG Affiliate as a licencee of ARM provided that:

(i) such LG Affiliate agrees in writing, as set forth in Schedule 14, to be bound by the obligations of LGS and to comply with all the terms and conditions of this Agreement. LGS shall deliver to ARM a copy of the LG Affiliate's undertaking within thirty (30) days of the execution of such undertaking;

(ii) any breach of the terms and conditions of this Agreement by a LG Affiliate shall constitute a breach of this Agreement by LGS;

(iii) any termination of this Agreement as provided by Clause 18 shall be effective in respect of all LG Affiliates;

(iv) any licence, granted in accordance with the provisions of this Clause 2.10, shall automatically terminate upon any LG Affiliate ceasing to be a member of the LG Group.

2.11 LGS shall not be entitled to exercise the rights granted under Clause 2.10 unless and until ARM and LGS have agreed, in writing, upon the critieria to determine the point at which a LG Affiliate ceases to be a member of the LG Group. The parties shall negotiate in good faith with the objective of agreeing such criteria as soon as is reasonably practicable.

2.12 ARM hereby grants to LGS, under ARM's Intellectual Property rights, a perpetual (subject to Clause 18), non-transferable (subject to Clause 20.3), non-exclusive, world-wide right and licence to:

(i) manufacture and have manufactured, the PIE Card; and

(ii) supply the PIE Card within the LG Group: and

(iii) supply the PIE Card, free of charge, solely for evaluation purposes, to any LG Group customers; and

(iv) reproduce and distribute, and sub-license (provided that the end user agrees to be bound by the End User Licence) the use of the object code of the PIE Card software;

(v) reproduce and distribute, in connection with the PIE Card, the documentation relevant thereto.

For the avoidance of doubt, no right or licence is granted to LGS to distribute the PIE Card to third parties for revenue or other consideration.

3. Verification of ARM Compliant Products

3.1 LGS shall develop, manufacture and characterize an ARM710a Core test chip (the "Test Chip") which complies with the test chip specification set forth in Schedule 3 (Item D16).

3.2 LGS shall run the Validation Vectors and Functional Test Vectors (together the "Vectors"), on the Test Chip and deliver to ARM a copy of the log ("the Log Results") generated by running the Vectors together with five (5) samples of the applicable Test Chip. ARM may, at ARM's discretion, exercise the right to run the Vectors on the Test Chip. The ARM Core shall be verified for a that process upon ARM's acceptance of either the Log Results (i) delivered by LGS or (ii) generated by ARM. The Log Results shall be accepted when they indicate that no errors have been detected or where any errors detected have been jointly agreed, in good faith, and a waiver agreed between the parties. ARM shall notify LGS, in writing, within thirty (30) days of delivery by LGS of the Log Results and Test Chip samples to ARM (the "Verification Period"), whether the Test Chip has been verified or has failed the verification process. In the event that the Test Chip fails the verification process, ARM shall provide details of the errors which cause the failure to LGS and LGS shall endeavour to correct the errors with ARM's assistance as provided under the terms of Clause 12. The parties shall repeat the above process until either: (i) the Test Chip is verified; or (ii) LGS withdraws the Test Chip from the verification process. In the event that ARM fails to confirm the result of the verification process within the Verification Period, the Test Chip subject to the verification process shall be deemed verified.

3.3 Provided that: (a) the Test Chip has been verified in accordance with the provisions of Clause 3.2; and (b) the ARM Compliant Product containing the ARM Core contained in the Test Chip runs the Functional Test Vectors and they indicate that no errors have been detected (or where any errors detected have been jointly agreed, in good faith, and a waiver agreed between the parties); except as hereafter provided, LGS may distribute such ARM Compliant Product without further verification. However, in the event that LGS modifies the internal logic of the ARM7 Core or ports any ARM Core to a new process LGS shall not be entitled to distribute any such modified or ported ARM Compliant Product until:

(i) in respect of an ARM Compliant Product containing the ARM710a Core, a Test Chip has been verified in accordance with the provisions of Clause 3.2; or

(ii) in respect of an ARM Compliant Product containing the ARM7 Core (other than an ARM Compliant Product as specified in Clause 3.3(i)), an ARM7 test chip, which complies with the test chip specification set forth in Schedule 3 (Item B12), has been verified, mutatis mutandis, in accordance with the provisions of Clause 3.2.

3.4 LGS shall provide to ARM, free of charge, fifty (50) samples of each Test Chip manufactured by LGS on each process utilized for such manufacture so that ARM, at its option, may, inter alia, test the compatibility of each Test Chip with the ARM Instruction Set. For the avoidance of doubt, there shall be no restriction on ARM's use of such samples provided that ARM shall not reverse engineer such Test Chips.

4. Models Licence

4.1 ARM hereby grants to LGS a non-transferable (subject to Clause 20.3), non-exclusive, world-wide right and licence under the ARM's Intellectual Property rights, to:

(i) reproduce, modify and use, internally and for third party support purposes, the Models and relevant documentation;

(ii) reproduce and distribute, and sub-license (provided that the end user agrees to be bound by the End User Licence) the Use of the object code of the Models including any modified versions thereof;

(iii) modify, reproduce, use and distribute, in connection with the Models including any modified versions thereof, the documentation (including any modified documentation) relevant thereto;

(iv) sub-license the distribution rights granted to LGS under Clauses 4.1(ii) and (iii) to Authorized Distributors only.

4.2 For the avoidance of doubt, except as provided by Clause 4.1(iv), no right is granted to LGS to sub-license the right to sell, supply or otherwise distribute the Models.

5. Tools Licence

5.1 ARM hereby grants to LGS a non-transferable (subject to Clause 20.3), non-exclusive, world-wide right and licence under the ARM's Intellectual Property rights, to:

- (i) reproduce and use the Tools and relevant documentation, internally and for third party support purposes;

(ii) modify the Tools solely for the purpose of providing Hangul language support and incorporating any LGS logo;

(iii) reproduce and distribute, and sub-license (provided that the end user agrees to be bound by the End User Licence) the Use of the object code of the Tools identified in Schedule 5 Part A (including the Tools modified in accordance with Clause 5.l(ii));

(iv) reproduce and distribute, and sub-license (provided that the end user agrees to be bound by the End User Licence) the use of the Tools identified in Schedule 5 Part B (including the Tools modified in accordance with Clause 5.1 (ii));

(v) modify, reproduce, use and distribute the Tools documentation (including any modified Tools documentation);

(vi) sub-license the distribution rights granted to LGS under Clauses 5.1(iii) — (v) to Authorized Distributors only.

5.2 For the avoidance of doubt, except as provided by Clause 5.1(vi), no right is granted to LGS to sub-license the right to sell, supply or otherwise distribute the Tools.

6. Test Licence

6.1 ARM hereby grants to LGS a non-transferable (subject to Clause 20.3), non-exclusive, world-wide right and licence under the ARM's Intellectual Property rights, to reproduce, modify, have modified, and use internally only, the Test and relevant Test documentation (including modified Test and modified Test documentation).

6.2 For the avoidance of doubt, no right is granted to LGS to sell, supply or otherwise distribute the Test.

7. Ownership of the Software

7.1 In no event shall the licence grants set forth in Clauses 4.1, 5.1 and 6.1 be construed as granting LGS, expressly or by implication, estoppel or otherwise, a licence under any ARM technology other than the Software and related documentation.

7.2 Except as licensed to LGS in Clauses 4.1, 5.1 and 6.1 all right, title and interest in and to the Software and related documentation shall remain vested in ARM.

7.3 LGS shall reproduce and not remove or obscure any notice incorporated in the Software or related documentation by ARM to protect ARM's Intellectual Property Rights or to acknowledge the copyright and/or contribution of any third party developer. LGS shall incorporate corresponding notices and/or such other markings and notifications as ARM may reasonably require on all copies of Software and related documentation used or distributed by LGS.

8. Trademark Licence

8.1 ARM hereby grants to LGS a non-transferable (subject to Clause 20.3), non-exclusive, royalty-free, world-wide right and licence under ARM's Intellectual Property rights, to use the Trademarks in the promotion and sale of ARM Compliant Products.

8.2 LGS shall use the Trademarks, in accordance with ARM's guidelines set forth in Schedule 7 (the "Guidelines"), on (i) all ARM Compliant Products sold or distributed by LGS and (ii) all documentation, promotional materials and software associated with such ARM Compliant Products. ARM shall have the right to revise Schedule 7 and the Guidelines (including the right to add further trademarks or modify the Trademarks) provided that such revisions are made in respect of the Guidelines issued to all licencees of the Trademarks. Any such revisions shall be effective, upon ninety (90) days written notice to LGS.

8.3 LGS shall be released from the provisions of Clause 8.2 in the case of any ARM Compliant Product, created or developed by LGS, solely for a specific customer of LGS PROVIDED THAT (a) the customer has notified LGS, in writing, that the customer wishes the ARM Compliant Product packaging not to bear any Trademark and (b) the ARM Compliant Product does not bear the LGS name or trademark.

8.4 LGS shall submit samples of documentation, packaging, and promotional or advertizing materials bearing the Trademarks to ARM from time to time in order that ARM may verify compliance with the Guidelines. In the event that any documentation, packaging, promotional or advertizing material fails to comply with the Guidelines, ARM shall notify LGS and LGS shall rectify such documentation, packaging, and promotional or advertizing materials so as to comply with the Guidelines and cease using any such non-compliant materials within thirty (30) days of the date of ARM's notice. Any documentation, packaging, and promotional or advertizing materials not rejected for failing to comply with the Guidelines by ARM within thirty (30) days after delivery to ARM shall be deemed approved.

8.5 LGS agrees to assist ARM in maintaining the validity of the Trademarks by retaining a record of its use of the Trademarks. Such records shall include samples of the use of each of the Trademarks as well as information regarding the first use of the Trademarks in each country. Upon request, LGS shall make available all such records.

8.6 Upon ARM's request, LGS shall provide, free of charge, samples of the use of the Trademarks for the purpose of trademark registration or renewal. LGS shall support ARM in the application and maintenance of any registration for the Trademarks in the name of ARM. Upon request, LGS shall execute any documents required by the applicable laws of any jurisdiction for the purpose of registering and/or maintaining the Trademarks. In the event that LGS fails to timely execute any such documents, LGS hereby irrevocably appoints ARM as its attorney with respect to such matters. Any and all registrations for the Trademarks shall be procured by and for ARM, at ARM's expense.

8.7 Except as provided by the terms of this Agreement, LGS shall not use or register any trademark, service mark, device or logo, any of the Trademarks or any word or mark confusingly similar to any of the Trademarks, in any jurisdiction.

9. **Licence Fees and Royalties**

9.1 LGS shall pay a non-refundable licence fee (the "Technology Licence Fee") of [*****] upon the terms set forth in Clause 9.1(i), together with for each ARM Compliant Product sold, supplied or distributed by LGS (including as permitted by this Agreement, any Subsidiary and/or LG Affiliate), an additional royalty ("Running Royalty") upon the terms set forth in Clause 9.1(ii).

(i) The Technology Licence Fee shall be paid by instalments as follows:

On the Effective Date	[*****]
On delivery of the design databases for the ARM Cores	[*****]
On acceptance of the Test Chip (as defined in Clause 10.4)	[*****]

(ii) The Running Royalty for each ARM Compliant Product shall be determined by reference to the NSP of such ARM Compliant Product and the total number of ARM Compliant Product chips sold or distributed by LGS (including as permitted by this Agreement, any Subsidiary and/or LG Affiliate) in accordance with the following table:

Cumulative Volume	Running Royalty as %age of NSP
[*****]	[*****]
[*****]	[*****]
[*****]	[*****]

For the avoidance of doubt, in no event shall the Technology Licence Fee be construed as being an advance payment of Running Royalties and no right of set off of Running Royalties against the Technology Licence Fee shall exist.

9.2 Running Royalties due to ARM under this Agreement shall be paid in accordance with the terms set forth in Schedule 8.

9.3 After a period of ten (10) years from the first commercial shipment of the first manufactured ARM Compliant Product (the "Initial Period"), LGS shall be entitled to either (i) require ARM to enter into good faith negotiations to revise the Running Royalty rates for the remainder of the term of this Agreement or (ii) require ARM to enter into good faith negotiations to agree a sum payable by LGS to ARM in lieu of the Running Royalties which would otherwise fall due in accordance with the provisions of Clauses 9.1. LGS shall exercise its rights under this Clause 9.3 upon written notice to ARM, referring to this Clause

[*****] - Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

9.3, served not less that six (6) months prior to the expiry of the Initial Period. For the avoidance of doubt, in the event that:

(i) LGS fails to serve any notice in accordance with the provisions of Clause 9.3, the rights set forth in Clause 9.3 shall lapse; or

(ii) the parties fail to reach agreement prior to the expiry of the Initial Period and LGS does not terminate this Agreement, LGS shall continue to pay the Running Royalties at the rates specified in Clause 9.1(ii).

9.4 LGS shall keep all records of account as are necessary to demonstrate compliance with its obligations under this Clause 9.

9.5 ARM shall have the right for representatives of a firm of independent Chartered Accountants to which LGS shall not unreasonably object ("Auditors"), to make an examination and audit, by prior appointment during normal business hours, not more frequently than once annually, of all records and accounts as may under recognized accounting practices contain information bearing upon (i) the number of chips and the NSP of ARM Compliant Products sold or distributed by LGS under this Agreement and (ii) the amounts of Running Royalties payable to ARM under this Clause 9. The Auditors will report to ARM only upon whether the Running Royalties paid to ARM by LGS were or were not correct, and if incorrect, what are the correct amounts for the Running Royalties. LGS shall be supplied with a copy of or sufficient extracts from any report prepared by the Auditors. The Auditors report shall (in the absence of clerical or manifest error) be final and binding on the parties. Such audit shall be at ARM's expense unless it reveals an underpayment of Running Royalties of five per cent (5%) or more, in which case LGS shall reimburse ARM for the costs of such audit LGS shall make good any underpayment of royalties forthwith. If the audit identifies that LGS has made an overpayment, such overpayment will be credited to the next such payment or payments to be made by LGS.

9.6 In consideration of the payment by LGS of the Technology Licence Fee, ARM shall provide the support and maintenance services for a period of two (2) years from the Effective Date. In the event that LGS requests that ARM continue to provide the support and maintenance services after the expiration of the initial two (2) year period, the annual support and maintenance fees payable in respect of any such subsequent year shall be determined by good faith negotiations between the parties. However, ARM shall be under no obligation to provide the support and maintenance services, in respect of any subsequent year, until the annual support and maintenance fees have been agreed and paid to ARM.

9.7 Any income or other tax which LGS is required by law to pay or withhold on behalf of ARM with respect to any licence fees and/or royalties payable to ARM under this Agreement shall be deducted from the amount of such licence fees and/or royalties otherwise due, provided, however, that in regard to any such deduction, LGS shall give to ARM such assistance as may be necessary to enable or assist ARM to claim exemption therefrom, or credit therefor, and shall upon request furnish to ARM such certificates and other evidence of deduction and payment thereof as ARM may properly require.

9.8 LGS shall pay all instalments of the Technology Licence Fee due to ARM under the terms of this Agreement within thirty (30) days of receipt of ARM's invoice therefor (the "Due Date"). The Due Date in respect of the payment of Running Royalties shall be forty five (45) days from the end of each Half Year.

9.9 If any sum under this Agreement is not paid by the Due Date, then (without prejudice to ARM's other rights and remedies) ARM reserves the right to charge interest on such sum on a day to day basis (as well after as before any judgment) from the Due Date to the date of payment at the rate of five (5) per cent per annum above the base rate of Barclays Bank PLC from time to time in force.

10. Delivery, Acceptance and Production Costs

10.1 The database tapes in respect of the ARM Cores delivered to LGS shall conform to the LGS 0.6um ASIC Design Rules (Rev 1.1) dated February 1995 using three layers of metal.

10.2 ARM shall deliver the Transfer Materials and Software in accordance with the delivery schedule set forth in Schedule 11.

10.3 Unless otherwise agreed in writing, delivery:

(i) by LGS, shall take place at Advanced RISC Machines Limited, Fulbourn Road, Cherry Hinton, Cambridge CB1 4JN, England marked for the attention of the Engineering Director;

(ii) by ARM, shall take place at 16 Woomyeon-dong, Seocho-gu, Seoul 137-140, Korea marked for the attention of Mr Hag-Keun Kim.

10.4 For the purposes of Clause 9.1(i):

(i) LGS shall use best efforts to manufacture (or have manufactured) the Test Chip and comply with the provisions of Clause 10.4(ii).

(ii) LGS shall run the Vectors on the Test Chip and forthwith deliver to ARM a copy of the log results generated by running the Vectors, together with five (5) samples of the Test Chip. The Test Chip shall be deemed accepted when the log results indicate that no errors have been detected or where any errors detected have been jointly agreed, in good faith, and a waiver agreed between the parties.

However, in the event that:

(a) LGS fails to manufacture the Test Chip within nine (9) months of delivery of the ARM710a Core design database, LGS shall pay to ARM the third instalment of the Technology Licence Fee irrespective of the provisions of Clause 9. l(i); or

(b) due to a LGS manufacturing fault, the Test Chip does not pass the Vectors within nine (9) months of delivery of the ARM710a Core design database, LGS shall pay to ARM the third instalment of the Technology Licence Fee irrespective of the provisions of Clause 9.1(i).

10.5 ARM shall not be responsible for any recoverable or non-recoverable costs incurred, directly or indirectly, by LGS in the design translation (except as provided by Clause 10.1), processing, or manufacture of masks and prototypes, characterization or manufacture of production quality silicon in whatever quantity.

10.6 Within six (6) months of the Effective Date, the parties will work together in the creation of a development, sales and marketing plan indicating the milestones, resource and activity that LGS will use to develop ARM Compliant Products.

11. **Contract Administrators**

11.1 The parties hereby appoint the following individuals as their respective contract administrators between ASM and LGS with respect to this Agreement:

ARM:	LGS:
For legal notices:	
David N MacKay Director of Legal Affairs Advanced RISC Machines Limited Fulbourn Road Cherry Hinton Cambridge CB14JN England	Jong-Taek Hong General Manager Legal Affairs Department LG Semicon Co Limited 891 Daechi-dong Kangnarm-ku Seoul Korea
For corporate issues:	
James S Urquhart Sales Director Advanced RISC Machines Limited Fulbourn Road Cherry Hinton Cambridge CB14JN England	Dr Min-Sung Choi Managing Director LG Semicon Co Limited 16 Woomyeon-dong Seocho-gu Seoul 137-140 Korea
For Confidential Information:	
Peter King Partner Support Manager At the address set forth above	Dr Min-Sung Choi Managing Director At the address set forth above
For financial issues:	
John Martyn Financial Controller At the address set forth above	Dr Min-Sung Choi Managing Director At the address set forth above
For applications support:	
Peter King Partner Support Manager At the address set forth above	Hag-Keun Kim Department Manager Multimedia Device #2 At the address set forth above
For software support:	
Peter King Partner Support Manager At the address set forth above	Hag-Keun Kim Department Manager Multimedia Device #2 At the address set forth above
For design transfer:	
Tudor Brown Engineering Director	Hag-Keun Kim Department Manager Multimedia Device #2

At the address set forth above	At the address set forth above

11.2 The contract administrators identified herein are appointed by the parties for the receipt and dispatch on their behalf of all communications relating to the administrators' above designated areas of responsibility. The contract administrators shall also be responsible for the good progress of the parties' performance under this Agreement and the timely resolution of all technical, administrative and commercial issues which may arise from time to time during the execution of this Agreement.

11.3 Each party reserves the right to change its appointment as above upon seven (7) days written notice to the other party's then current corresponding liaison.

12. Macrocell Maintenance Services

12.1 ARM shall provide to LGS, in respect of the ARM Cores, AMBA and Peripherals (the "Macrocells"), through the parties' applicable contract administrator, the following maintenance services;

(i) the correction, to the extent reasonably possible, of any defects in any Macrocell which cause such Macrocell not to operate in accordance with the functionality described in the applicable documentation. If ARM determines that such defects are due to errors in such description, ARM shall promptly issue corrections to the applicable documentation and shall not be required to correct the Transfer Materials provided that LGS is not thereby prevented from commercially exploiting such Macrocell.

(ii) reasonable telephone and written consultation pertaining to the operation and application of the Macrocells;

(iii) any bug-fixes or corrections to the Macrocells made available by ARM to any third party;

(iv) all modifications, enhancements and updates to the Macrocells, created by ARM, including such modifications to the Macrocells as are made by ARM's other licencees and adopted by ARM for general release as an update PROVIDED THAT ARM may exclude any modification, enhancement or update which ARM, in its absolute discretion decides, results in the creation of a new product;

(v) the provision of ARM-related training;

The services provided under Clauses 12.1(ii), 12.1(v) and 13.1(ii) shall together be limited to a total of Thirty (30) man days per annum.

12.2 Upon LGS requesting ARM's assistance pursuant to the provisions of Clause 12.1, LGS shall promptly provide to ARM such samples and technical information as ARM may reasonably require to enable ARM to provide such assistance.

12.3 In notifying ARM of any defects or problems LGS shall use a format and medium reasonably requested by ARM. Notwithstanding the foregoing, LGS shall provide ARM promptly with any information or assistance reasonably requested by ARM to enable ARM to provide the maintenance service hereunder.

12.4 The maintenance services shall be provided at ARM's UK premises. Nevertheless, ARM will use reasonable efforts to provide maintenance services to LGS, at LGS's premises, subject to LGS meeting all reasonable travelling, accommodation and sustenance expenses.

12.5 For the avoidance of doubt, ARM's obligation under this Clause 12 is limited expressly to the provision of the maintenance services to LGS and ARM shall be under no obligation to provide the maintenance services to LGS's customers.

13. Software Maintenance Services

13.1 ARM shall provide to LGS, in respect of the Software, through the parties' applicable contract administrator, the following maintenance services:

(i) to correct, to the extent reasonably possible, any defects in the Software which cause the Software not to operate in accordance with the description of the Software's function in the applicable documentation. If ARM determines that such defects are due to errors in such description, ARM shall promptly issue corrections to the documentation and shall not be required to alter the Software provided that LGS is not thereby prevented from commercially exploiting the Software.

(ii) to provide reasonable telephone and written consultation pertaining to the operation and application of the Software.

(iii) to provide as available Updates to the Software.

13.2 In notifying ARM of any defects or problems LGS shall use a format reasonably requested by ARM. LGS shall provide ARM promptly with any information or assistance reasonably requested by ARM to enable ARM to provide the maintenance service hereunder.

13.3 For the avoidance of doubt, ARM'S obligation under this Clause 13 is limited expressly to the provision of the Software maintenance services to LGS and ARM shall be under no obligation to provide the maintenance services to LGS's sub-licensees of the Software.

14. Confidentiality

14.1 Save as provided by Clause 14.2, each party shall maintain in confidence the Confidential Information disclosed by the other party and apply security measures no less stringent than the measures that such party applies to protect its own like information, but not less than a reasonable degree of care, to prevent unauthorized disclosure and use of the Confidential Information. The period of confidentiality shall be (i) indefinite with respect to the terms of this Agreement, pattern generation tapes and photomasks and (ii) twenty (20) years with respect to all other information.

14.2 In the event that either party qualifies the confidentiality of any Confidential Information in writing by marking such Confidential Information with the words "Limited Confidentiality", such Confidential Information may be disclosed to a third party who has entered into a non disclosure agreement ("NDA") with the recipient containing substantially similar terms to this Clause 14. A NDA in respect of the disclosure of business Confidential Information may be limited in duration to a period of not less than three (3) years from the date of disclosure. A NDA in respect of the disclosure of technical Confidential Information may be limited in duration to a period of not less than five (5) years from the date of disclosure.

14.3 The provisions of this clause shall not apply to information which:-

(i) is known and has been reduced to tangible form by the receiving party prior to disclosure by the other party; or

(ii) is, or becomes through no fault of the receiving party, generally known; or

(iii) is disclosed to the receiving party by a third party having the lawful right to make such disclosure; or

(iv) is independently conceived by the receiving party provided that the receiving party is able to provide evidence of such independent conception in the form of written records; or

(v) is released to the receiving party for disclosure to any third party, other than on a confidential basis, by the disclosing party in writing; or

(vi) as required by any court or other governmental body.

14.4 For the avoidance of doubt, LGS Royalty Reports may be disclosed to, in confidence, ARM's financial and/or legal advisors. In addition, ARM may disclose the total unit sales of ARM Compliant Products.

14.5 The parties agree that the disclosure of Confidential Information to a party hereunder shall be co-ordinated through the appointed contract administrators identified for such purpose in Clause 11.1.

15. Warranties

15.1 ARM warrants that the materials delivered to LGS will be sufficient for a competent semiconductor manufacturer to produce the ARM Cores, AMBA and Peripherals which meet the functionality specified in the applicable documentation. LGS's sole and exclusive remedy for any breach of such warranty shall be for ARM to correct any errors in the materials and deliver such corrected materials to LGS or replace the materials at ARM's discretion.

15.2 LGS acknowledges that the Software cannot be tested in every possible operation, and accordingly ARM does not warrant that the Software will be free from all defects or that there will be no interruption in its use. However, ARM warrants that the Software will be complete and comply with the description of its functionality specified in the documentation. LGS's sole and exclusive remedy for any breach of such warranty shall be for ARM, as soon as is reasonably practicable, to correct any errors in the Software and deliver such corrected Software to LGS.

15.3 ARM further warrants that to ARM's knowledge and belief, but expressly without having undertaken any searches for prior art, that:

(i) the ARM Cores, AMBA, Peripherals and Software do not infringe any third party copyright, maskwork right or trade secret; and

(ii) there are no pending claims that have been made, or actions commenced, against ARM for breach of any third party copyright, maskwork right, patent or trade secret; and

(iii) ARM, or its applicable licensor, is the owner of the properties to be delivered to LGS; and

(iv) ARM has the right to enter into the Agreement.

15.4 Except as expressly provided in this Agreement, the ARM Cores, AMBA, Peripherals Software, Intellectual Property, and Transfer Materials are licensed "as is" and ARM makes no warranties express, implied or statutory, including, without limitation, the implied warranties of merchantability or fitness for a particular purpose with respect to the ARM Cores, AMBA, Peripherals Software, Intellectual Property and Transfer Materials.

15.5 LGS warrants that LGS shall:

(i) submit this Agreement for approval by the Korean Government forthwith upon signature by the parties; and

(ii) use all reasonable endeavours to obtain all or any tax exemption or tax credits applicable to the technology licensed and monies payable under this Agreement.

16. Infringement

16.1 Each party (the "Delivering Party") will support the other party (the "Receiving Party") in any action based on a claim that the materials delivered by the Delivering Party to the Receiving Party under this Agreement (the "Delivered Materials"), when used in accordance with this Agreement, infringe any patent, copyright or trade secret provided that the Receiving Party shall notify the Delivering Party promptly in writing of each such suit. However, a party shall not be obliged to support the other party in any action based upon an infringement or alleged infringement of any patent, copyright, trade secret, mask work, trademark or other property right by: (a) the Receiving Party's manufacturing process; (b) any modification of the Delivered Materials not made by the Delivering Party; or (c) the use of the Delivered Materials in combination with other equipment, technology or software not purchased or licensed from the Delivering Party, provided that such claim would not have occurred but for such combination, modification or enhancement.

16.2 The Receiving Party will support the Delivering Party in any action based on a claim that (a) the process used by or on behalf of the Receiving Party in manufacturing products incorporating, embodying or based upon the Delivered Materials, (b) any modification of the Delivered Materials made by or on behalf of the Receiving Party, or (c) the use of the Delivered Materials in combination with other equipment, software or technology not purchased or licensed from the Delivering Party, provided that such claim would not have occurred but for such combination, modification or enhancement, has infringed any patent, copyright or trade secret provided that the Delivering Party shall notify the Receiving Party promptly in writing of such suits.

16.3 If any Delivered Materials provided to LGS by ARM, or any portion thereof, is finally adjudged to infringe a patent or copyright, ARM shall, at ARM's election, use its reasonable efforts to: (a) procure the right to continue using the unmodified Delivered Materials; (b) modify the Delivered Materials so that they become non-infringing; (c) replace the unmodified Delivered Materials, or infringing portions thereof, with reasonably equivalent non-infringing products; or (d) pay compensatory damages to LGS, subject to the limitations of Clause 16.6. The provisions of this Clause 16.3 do not extend to any suit based upon an infringement or alleged infringement of any patent, copyright, trade secret, mask work, trademark or other property right by: (a) the LGS manufacturing process; (b) any modification of the Delivered Materials not made by ARM; or (c) the use of the Delivered Materials in combination with other equipment, technology or software not purchased or licensed from ARM, provided that such claim would not have occurred but for such combination, modification or enhancement

16.4 If any Delivered Materials provided to ARM by LGS, or any portion thereof, is finally adjudged to infringe a patent or copyright, LGS shall, at LGS's election, use its reasonable efforts to: (a) procure the right to continue using the unmodified Delivered Materials; (b) modify the Delivered Materials so that they become non-infringing; (c) replace the unmodified Delivered Materials, or infringing portions thereof, with reasonably equivalent non-infringing products; or (d) pay compensatory damages to ARM subject to the limitations of Clause 16.6. The provisions of this Clause 16.4 do not extend to any suit based upon an infringement or alleged infringement of any patent, copyright, trade secret, mask work, trademark or other property right by any modification of the Delivered Materials not made by LGS.

16.5 In the event that there is a final adjudication of infringement, the liability of the Delivering Party for such infringement shall terminate with respect to all damages regarding the infringing intellectual property arising after the date of such final adjudication.

16.6 THE FOREGOING STATES THE ENTIRE LIABILITY OF THE PARTIES, AND THE EXCLUSIVE REMEDY FOR THE PARTIES, FOR ANY INFRINGEMENT OF ANY PATENT, COPYRIGHT, TRADEMARK, TRADE SECRET, MASK WORK OR OTHER PROPRIETARY RIGHT OF A THIRD PARTY. ARM AND LGS DISCLAIM ALL OTHER LIABILITY FOR ANY SUCH INFRINGEMENT, INCLUDING ANY INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, NEITHER PARTY SHALL BE LIABLE FOR ANY AMOUNTS IN EXCESS OF THE SUM OF FOUR HUNDRED AND SEVENTY FIVE THOUSAND US DOLLARS (US$475,000) IN THE AGGREGATE FOR ALL PAYMENTS, ROYALTIES OR FEES MADE PURSUANT TO ALL CLAIMS IN ANY WAY ARISING OUT OF OR IN CONNECTION WITH THE PROVISIONS OF THIS CLAUSE 16.

17. Disclaimer of Consequential Damages

17.1 IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES WHETHER SUCH DAMAGES ARE ALLEGED AS A RESULT OF TORTIOUS CONDUCT OR BREACH OF CONTRACT OR OTHERWISE EVEN IF THE OTHER PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. SUCH DAMAGES SHALL INCLUDE BUT SHALL NOT BE LIMITED TO THE COST OF REMOVAL AND REINSTALLATION OF GOODS, LOSS OF GOODWILL, LOSS OF PROFITS, LOSS OF USE OF DATA, INTERRUPTION OF BUSINESS OR OTHER ECONOMIC LOSS BUT NOTHING IN THIS CLAUSE SHALL OPERATE TO EXCLUDE LIABILITY FOR DEATH OR PERSONAL INJURY RESULTING FROM EITHER PARTY'S NEGLIGENCE.

18. Term and Termination

18.1 This Agreement shall commence on the Effective Date and continue in force, except as provided by Clause 18.3, unless and until terminated in accordance with the provisions of Clause 18.2.

18.2 Without prejudice to any other right or remedy which may be available to it, either party shall be entitled summarily to terminate this Agreement by giving written notice to the other:

(i) if the other party has committed a material breach of any of its obligations hereunder which is not capable of remedy; or

(ii) if the other party has committed a material breach of any of its obligations hereunder which is capable of remedy but which has not been remedied within a period of sixty (60) days following receipt of written notice to do so; or

(iii) makes any voluntary arrangement with its creditors for the settlement of its debts or becomes subject to an administration order; or

(iv) has an order made against it, or passes a resolution, for its winding-up (except for the purposes of amalgamation or reconstruction) or has an encumbrancer take possession or has a receiver or similar officer appointed over all or substantially all of its property or assets.

18.3 After a period of seven (7) years from the Effective Date (the "Initial Period"), the licence set forth in Clause 5 shall expire automatically whereupon LGS shall have no further right or licence in respect of the Tools. However, LGS may renew the licence granted under the provisions of Clause 5, subject to the provisions of Clauses 18.3(i) and (ii), for a farther term of seven (7) years upon payment of a Renewal Fee.

(i) LGS may exercise its rights to renew, as provided by this Clause 18.3, provided that LGS gives to ARM not less than six (6) months notice in writing of its intention to so renew, expiring on the seventh anniversary of the Effective Date.

(ii) Upon receipt of LGS's notice served in accordance with Clause 18.3(i), the parties shall enter into good faith negotiations to agree a reasonable Renewal Fee. For the avoidance of doubt, LGS shall not be entitled to exercise any of the rights contained in Clause 5 unless and until agreement has been reached and the Renewal Fee has been paid to ARM.

18.4 LGS and ARM acknowledge that each and every term and condition of this Agreement has been fully and completely negotiated and such terms and conditions closely relate to each other. In the event that the Korean governmental authorities, including the Korean Fair Trade Commission, during the review of this Agreement require a modification to one or more of the clauses of this Agreement, ARM shall have the option to renegotiate the entire Agreement or accept the applicable modification of the Agreement as required by such governmental authorities.

19. Effect of Termination

19.1 Upon termination of this Agreement by either party pursuant to Clause 18.2, LGS will immediately discontinue any use and distribution of all ARM Compliant Products, Software, Intellectual Property, Transfer Materials and ARM Confidential Information. LGS shall, at ARM's option, either destroy or return to ARM any Confidential Information, including any copies thereof in its possession, together with the Transfer Materials and all copies of the Software in its possession. Within one month after termination of this Agreement LGS will furnish to ARM a certificate signed by a duly authorised officer of LGS that to the best of his or her knowledge, information and belief, after due enquiry, LGS has complied with provisions of this Clause. For the avoidance of doubt, any sub-licences of the Software granted by LGS prior to the termination of this Agreement shall survive such termination.

19.2 Upon termination of this Agreement the termination date shall be treated as the end of a Half Year for the purposes of accounting for all Running Royalties due to ARM. Thereafter LGS shall submit a royalty report to ARM in accordance with the provisions of Schedule 8.

19.3 The provisions of Clauses 2.3, 9, 14, 16, 17, 19, and 20 shall survive termination or expiration of this Agreement.

20. General

20.1 All communications between the parties including, but not limited to, notices, royalty reports, error or bug reports, the exercise of options, and support requests shall be in the English language.

20.2 All notices which are required to be given hereunder shall be in writing and shall be sent to the address of the recipient set out in this Agreement or such other address as the recipient may designate by notice given in accordance with the provisions of this Clause. Any such notice may be delivered personally, by commercial overnight courier or facsimile transmission which shall be followed by a hard copy and shall be deemed to have been

served if by hand when delivered, if by commercial overnight courier 48 hours after deposit with such courier, and if by facsimile transmission when dispatched.

20.3 Neither party shall assign or otherwise transfer this Agreement or any of its rights and obligations hereunder whether in whole or in part without the prior written consent of the other.

20.4 Neither party shall be liable for any failure or delay in its performance under this Agreement due to causes, including, but not limited to, acts of God, acts of civil or military authority, fires, epidemics, floods, earthquakes, riots, wars, sabotage, third party industrial disputes and governments actions, which are beyond its reasonable control; provided that the delayed party: (i) gives the other party written notice of such cause promptly, and in any event within fourteen (14) days of discovery thereof; and (ii) uses its reasonable efforts to correct such failure or delay in its performance. The delayed party's time for performance or cure under this Clause 20.4 shall be extended for a period equal to the duration of the cause.

20.5 ARM and LGS are independent parties. Neither company nor their employees, consultants, contractors or agents, are agents, employees or joint venturers of the other party, nor do they have the authority to bind the other party by contract or otherwise to any obligation. Neither party will represent to the contrary, either expressly, implicitly, by appearance or otherwise.

20.6 The parties agree that the terms and conditions of this Agreement shall be treated as Confidential Information hereunder and shall not be disclosed without the consent of both parties.

20.7 Failure by either party to enforce any provision of this Agreement shall not be deemed a waiver of future enforcement of that or any other provision.

20.8 If any provision of this Agreement, or portion thereof, is determined to be invalid or unenforceable the same will be enforced to the maximum extent permissible so as to effect the intent of the parties, and the remainder of this Agreement will continue in full force and effect.

20.9 The headings to the Clauses of this Agreement are for ease of reference only and shall not affect the interpretation or construction of this Agreement.

20.10 This Agreement may be executed in one or more counterparts each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

20.11 This Agreement, including all Schedules and documents referenced herein, constitutes the entire agreement between the parties with respect to the subject matter hereof, and supersedes and replaces all prior or contemporaneous understandings or agreements, written or oral, regarding the subject matter. No amendment to, or modification of, this Agreement shall be binding unless in writing and signed by a duly authorized representative of both parties.

20.12 This Agreement shall be governed by and construed in accordance with the laws of England. In the event that ARM commences proceedings against LGS under this Agreement, the parties agree to submit to the jurisdiction of the Seoul District Court, Korea, for the purpose of hearing and determining any disputes arising out of this Agreement. In the event that LGS commences proceedings against ARM under this Agreement, the parties agree to submit to the jurisdiction of the High Court of Justice, London, England, for the purpose of hearing and determining any disputes arising out of this Agreement.

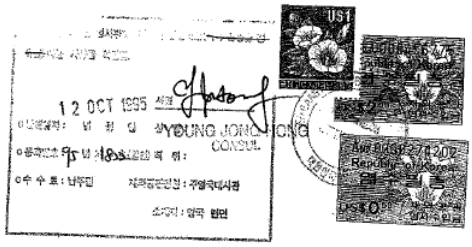
IN WITNESS WHEREOF the parties have caused this Agreement to be executed by their duly authorized representative:

ADVANCED RISC MACHINES LIMITED:

SIGNED: /s/ R. K Sayby
NAME: ROBIN K. SAYBY
TITLE: PRESIDENT

LG SEMICON COMPANY LIMITED:

SIGNED: /s/ Chung Hwan Mun
NAME: CHUNG HWAN MUN
TITLE: PRESIDENT



This **Technology License Agreement** (**"Agreement"**) is made and entered into the day of July 2001 (**"Effective Date"**)

BETWEEN

ARM LIMITED whose registered office is situated at 110 Fulbourn Road, Cambridge CB1 9NJ, England (**"ARM"**)

and

HYNIX SEMICONDUCTOR INC. a company organised and existing under the laws of the Republic of Korea and whose principal place of business is situated at San 136-1, Ami-ri, Bubal-eub, Ichon-si, Kyoungki-do, Republic of Korea (**"LICENSEE"**).

WHEREAS

A. LICENSEE has requested ARM and ARM has agreed to license LICENSEE to manufacture and distribute certain ARM Secure Core Based Products (as defined below) on the following terms and conditions.

B. Therefore, in consideration of the mutual representations, warranties, covenants, and other terms and conditions contained herein, the parties agree as follows:

1. Definitions

1.1 **"ARM Secure Core"** means the ARM Secure Core identified in the Technical Reference Manual [DDI-0207-A].

1.2 **"ARM Secure Core Synthesizable Source"** means together; **(i)** the Synthesizable RTL; **(ii)** the Synthesis Scripts; and **(iii)** the Synthesis Reference Deliverables.

1.3 "**ARMv4T Instruction Sets**" means both the ARMv4 instruction set and Thumb instruction set as defined in the ARM Architecture Reference Manual [ARM DDI 0100].

1.4 **"ARM Secure Core Transfer Materials"** means together; **(i)** the ARM Secure Core Synthesizable Source; **(ii)** the Implementation Guide; **(iii)** the Synthesizable Functional Test Vectors; **(iv)** the Technical Reference Manual; **(v)** the AVS; **(vi)** the Core Self Test Programs, together with any Updates thereto delivered to LICENSEE by ARM from time to time; and **(vii)** any relevant supplemental documentation released by ARM to its other licensees from time to time.

1.5 "**ARM Secure Core Based Product(s)**" means any chip designed and manufactured by or for LICENSEE which is offered for sale solely for use in applications where secure processing is specified and which contains at a minimum; **(i)** a Microarchitecture Compliant Core; and **(ii)** LICENSEE or LICENSEE's customer's circuitry which adds significant functionality.

1.6 **"ARM Transfer Materials"** means together; **(i)** the ARM Secure Core Transfer Materials; and **(ii)** the MME Transfer Materials.

1.7 **"Authorized Distributor"** means any distributor appointed, in writing, by LICENSEE.

1.8 **"AVS"** means the ARM architectural validation suite identified in Schedule 1 Part H.

1.9 **"Claim"** means a written notice of infringement received by ARM from a third party demanding that ARM cease and desist from such alleged Intellectual Property infringement.

[*****] - Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

1.10 **"Confidential Information"** means; **(i)** any trade secrets relating to the ARM Secure Core and the ARM Transfer Materials; **(ii)** any information designated in writing by either party, by appropriate legend, as confidential; **(iii)** any information which if first disclosed orally is identified as confidential at the time of disclosure and is thereafter reduced to writing for confirmation and sent to the other party within thirty (30) days after its oral disclosure and designated, by appropriate legend, as confidential; and **(iv)** the terms and conditions of this Agreement.

1.11 **"Core Self Test Programs"** means the programs identified in Schedule 1 Part K Item K1.

1.12 **"Documentation"** means the documentation identified in Schedule 2 Part A.

1.13 **"Effective Date"** means the date of this Agreement, subject always to the provisions of Clause 15.13.

1.14 **"End User License"** means a license agreement substantially in the form set out in Schedule 6.

1.15 **"Implementation Guide"** means the documentation identified in Schedule 1 Part B.

1.16 **"Intellectual Property"** means any patents, patent rights, trade marks, service marks, registered designs, topography or semiconductor maskwork rights, applications for any of the foregoing, copyright, unregistered design right, trade secrets and know-how and any other similar protected rights in any country.

1.17 **"LICENSEE's Synthesis Timing Constraints File"** means such timing constraints file as the LICENSEE shall finalise prior to final synthesis.

1.18 **"Microarchitecture Compliant Core"** means an implementation of an ARM Secure Core manufactured under licence from ARM and which;

(i) executes each and every instruction in the ARMv4T Instruction Sets;

(ii) executes no additional instructions to those contained in the ARMv4T Instruction Sets;

(iii) exhibits a Pipeline Length of 3;

(iv) exhibits a Von Neumann Architecture;

(v) is Single Issue or Multiple Issue, as appropriate for the respective ARM Secure Core as identified in the relevant Technical Reference Manual;

(vi) implements the programmer's model as identified in the ARM Architecture Reference Manual;

(vii) passes the respective Synthesizable Functional Test Vectors; and

(viii) has been verified in accordance with the provisions of Clause 3.

1.19 **"MME Macrocell"** means the MME hardware accelerator specified in the MME Technical Reference manual SC043-TRM-0001-A.

1.20 **"MME Synthesizable RTL"** means the deliverables identified in Schedule 2 Part B Section 1.

1.21 **"MME Synthesis Scripts"** means the deliverables identified in Schedule 2 Part B Section 2.

1.22 **"MME Synthesizable Source"** means together; **(i)** the MME Synthesizable RTL; and **(ii)** the MME Synthesis Scripts.

1.23 **"MME Transfer Materials"** means together **(i)** the MME Synthesizable Source**; (ii)** the MME Validation Suite; **(iii)** the Documentation; **(iv)** the Software, together with any Updates thereto delivered to LICENSEE by ARM from time to time; and **(iv)** any relevant supplemental documentation released by ARM to licensees from time to time.

1.24 **"NSP"** means the net sales price of any ARM Secure Core Based Product calculated by taking the aggregate invoice price charged on arms length terms by LICENSEE and its Subsidiaries in the sale or distribution of any ARM Secure Core Based Product, less any; **(i)** value added, turnover, import, or other tax, duty or tariff payable thereon; **(ii)** freight, insurance costs incurred; and **(iii)** amounts actually repaid or credited with respect to any ARM Secure Core Based Products returned.

1.25 **"MME Validation Suite"** means the deliverables identified in Schedule 2 Part C.

1.26 **"Packaging"** means the materials used to encapsulate the silicon of an ARM Secure Core Based Product.

1.27 **"Pipeline Length"** means the number of clocked stages through which each single-cycle instruction must pass to complete the execution of such instruction.

1.28 **"Single Issue"** means that only one instruction is issued for execution within the integer unit in any single clock cycle (where for the purposes of this definition "clock" means the clock that advances the pipeline).

1.29 **"Software"** means the example support software for the MME Macrocell as identified in Schedule 2 Part D, together with any Updates thereto delivered to LICENSEE by ARM from time to time.

1.30 **"Subsidiary"** means any company the majority of whose voting shares is now or hereafter owned or controlled, directly or indirectly, by a party hereto or any company a majority of whose voting shares is now or hereafter owned or controlled, directly or indirectly, by any of the aforementioned entities. The company shall be considered a Subsidiary only so long as such control exists.

1.31 **"Synthesizable Functional Test Vectors"** means the synthesizable functional test vectors identified in Schedule 1 Part D.

1.32 **"Synthesis Reference Deliverables"** means the deliverables identified in Schedule 1 Part C Section 3.

1.33 **"Synthesisable RTL"** means the deliverables identified in Schedule 1 Part C Section 1.

1.34 **"Synthesis Scripts"** means the deliverables identified in Schedule 1 Part C Section 2.

1.35 **"Technical Reference Manual"** means the technical reference manual identified in Schedule 1 Part A.

1.36 **"Trademarks"** means the trademarks identified in Schedule 3.

1.37 **"Updates"** means any enhancements and modifications including but not limited to any error corrections to the ARM Transfer Materials including any documentation associated therewith, designed by, or for ARM, the incorporation of which ARM, in its absolute discretion, decides does not cause a new product to be created.

1.38 **"Unique ARM Secure Core Based Product"** means a device manufactured by or for LICENSEE and which has a unique part number; except that a device shall not be a Unique ARM Secure Core Based Product if the device has a different part number for any or all of the following reasons;

(i) because it is an optically shrunk version of an otherwise unmodified (except to the extent accommodated by this definition) Unique ARM Secure Core Based Product;

(ii) because it is a version of an otherwise unmodified (except to the extent accommodated by this definition) Unique ARM Secure Core Based Product that has been ported to a different set of process design rules;

(iii) because it is an otherwise unmodified (except to the extent accommodated by this definition) Unique ARM Secure Core Based Product that has a different on chip memory size;

(iv) because it is an otherwise unmodified (except to the extent accommodated by this definition) Unique ARM Secure Core Based Product that has a different on chip memory content;

(v) because it is an otherwise unmodified (except to the extent accommodated by this definition) Unique ARM Secure Core Based Product that has a different on chip memory type;

(vi) because it is an otherwise unmodified (except to the extent accommodated by this definition) Unique ARM Secure Core Based Product that incorporates a bug fix (to conform to original specification for the Unique ARM Secure Core Based Product); and

(vii) because it is an otherwise unmodified (except to the extent accommodated by this definition) Unique ARM Secure Core Based Product that incorporates a different revision of the ARM Transfer Materials delivered by ARM to LICENSEE from time to time.

1.39 **"Von Neumann Architecture"** means a microprocessor architecture which dictates that the instruction stream for the integer unit shares the same port with the data stream for such integer unit.

2. Licence

2.1 Subject to the provisions of Clause 9 (Confidentiality) and the payment of appropriate fees in accordance with the provisions of Clause 5, ARM hereby grants to LICENSEE, under ARM's Intellectual Property, a non-transferable (subject to Clause 15.3), non-exclusive, perpetual (subject to termination in accordance with the provisions of Clause 13) world-wide licence, to;

ARM Secure Core Based Products

(i) use and copy the AVS and the MME Validation Suite only for the purposes of designing ARM Secure Core Based Products;

modify the MME testbench in Verilog identified as Item C1 in Schedule 2 Part C;

(ii) use, copy and modify the Core Self Test Programs only for the purposes of designing ARM Secure Core Based Products;

(iii) use and copy; **(a)** the Implementation Guide; and **(b)** the Synthesisable Reference Deliverables, only for the purposes of designing ARM Secure Core Based Products;

modify the SC100 Core Verilog GTECH Synthesis Command Files identified as Item C3 in Schedule 1 Part C Section 3;

(iv) use, copy and modify (solely to the extent necessary to run the following deliverables on LICENSEE's tester or simulator) the Synthesizable Functional Test Vectors, only for the purposes of designing ARM Secure Core Based Products;

(v) use, copy and modify (only for the purpose of substituting functional blocks in the Synthesizable RTL with functionally equivalent LICENSEE or LICENSEE's customer's functional blocks); **(i)** the Synthesizable RTL; and **(ii)** the MME Synthesizable RTL, only for the purposes of designing ARM Secure Core Based Products;

(vi) use, copy and modify; **(i)** the Synthesis Scripts; and **(ii)** the MME Synthesis Scripts, only for the purposes of designing ARM Secure Core Based Products;

(vii) manufacture and have manufactured (subject to the provisions of Clause 2.2) the ARM Secure Core Based Products created under the licences granted in Clauses 2.1(i) to 2.1(vi) inclusive;

(viii) sell, supply and distribute ARM Secure Core Based Products manufactured under the licences granted in Clause 2.1(vii) to any third party and authorise Authorised Distributors to do the same;

(ix) test and have tested (subject to the provisions of Clause 2.3) the ARM Secure Core Based Products manufactured under the licences granted in Clause 2.1(vii);

Technical Reference Manual and Documentation

(x) use, copy, modify and distribute (solely to LICENSEE's customers of ARM Secure Core Based Products and subject to the terms of a confidentiality agreement no less restrictive than those contained in this Agreement) the Technical Reference Manual only for the purposes of designing ARM Secure Core Based Products;

(xi) use, copy, modify and distribute (solely to LICENSEE's customers of ARM Secure Core Based Products and subject to the terms of a confidentiality agreement no less restrictive than those contained in this Agreement) the Documentation only for the purposes of designing ARM Secure Core Based Products;

Software

(xii) use, copy and modify the Software; and

(xiii) distribute the Software in source code or binary code form solely in conjunction with ARM Secure Core Based Products.

Have Manufactured

2.2 Subject to the provisions of Clause 9 (Confidentiality), LICENSEE may exercise its right to have ARM Secure Core Based Products manufactured by a third party manufacturer ("**Manufacturer**") in accordance with the provisions of Clause 2.1 solely to manufacture ARM Secure Core Based Products for LICENSEE provided that; (a) LICENSEE agrees not to grant to the Manufacturer any license in respect of any ARM Transfer Materials for any other purpose; and (b) that each Manufacturer agrees;

(i) to be bound by obligations of confidentiality no less restrictive than those contained in this Agreement;

(ii) to supply units of the ARM Secure Core Based Product solely to LICENSEE; and

(iii) to return any ARM Confidential Information and ARM Transfer Materials to LICENSEE on the earlier of; (a) the completion of the manufacture; and (b) the expiration of the confidentiality period for each ARM Transfer Material in accordance with the provisions of Clause 9.

If any Manufacturer breaches the provisions of any of Clauses 2.2(i) to 2.2(iii), LICENSEE agrees that such breach shall be treated as a material breach of this Agreement by LICENSEE which shall entitle ARM to terminate this Agreement in accordance with the provisions of Clause 13.2 and LICENSEE shall hold ARM harmless from and keep ARM indemnified against all and any loss, liability, costs, damages, expenses (including the fees of lawyers and other professionals), suffered, incurred or sustained as a result of or in relation to such breach.

Have Tested

2.3 Subject to the provisions of Clause 9 (Confidentiality), LICENSEE may exercise its right to have ARM Secure Core Based Products tested by a third party (**"Test House"**) in accordance with the provisions of Clause 2.1 provided that the Test House agrees;

(i) to be bound by obligations of confidentiality no less restrictive than those contained in this Agreement; and

(ii) to supply units of the tested ARM Secure Core Based Products solely to LICENSEE; and

(iii) to return any ARM Confidential Information and ARM Transfer Materials to LICENSEE on the earlier of; **(a)** the completion of the test; and **(b)** the expiration of the confidentiality period for each ARM Transfer Material in accordance with the provisions of Clause 9.

If any Test House breaches the provisions of Clauses 2.3(i) to 2.3(iii), LICENSEE agrees that such breach shall be treated as a material breach of this Agreement by LICENSEE which shall entitle ARM to terminate this Agreement in accordance with the provisions of Clause 13.2 and LICENSEE shall hold ARM harmless from and keep ARM indemnified against all and any loss, liability, costs, damages, expenses (including the fees of lawyers and other professionals), suffered, incurred or sustained as a result of or in relation to such breach.

Have Designed

2.4 On receipt of a request from LICENSEE, ARM may on a case by case basis grant LICENSEE the right to have ARM Secure Core Based Products designed by a designer subcontracted by LICENSEE (**"Designer"**) provided that each Designer agrees;

(i) to be bound by obligations of confidentiality no less restrictive than those contained in this Agreement; and

(ii) to supply units of the tested ARM Secure Core Based Products solely to LICENSEE; and

(iii) to return any ARM Confidential Information and ARM Transfer Materials to LICENSEE on the earlier of; **(a)** the completion of the design; and **(b)** the end of the confidentiality period for each ARM Transfer Material in accordance with the provisions of Clause 9.

If any Designer breaches the provisions of Clauses 2.4(i) to 2.4(iii), LICENSEE agrees that such breach shall be treated as a material breach of this Agreement by LICENSEE which shall entitle ARM to terminate this Agreement in accordance with the provisions of Clause 13.2 and LICENSEE shall hold ARM harmless from and keep ARM indemnified against all and any loss, liability, costs, damages, expenses (including the fees of lawyers and other professionals),

suffered, incurred or sustained as a result of or in relation to such breach. The parties shall agree for each Designer which of the ARM Transfer Materials can be delivered to such Designer.

2.5 No right is granted to LICENSEE to;

(i) except as expressly granted in Clauses 2.1, sub-license any of the rights licensed to LICENSEE under Clause 2.1; or

(ii) distribute any ARM Secure Core Based Product prior to verification in accordance with Clause 3, except that if it is the intention of LICENSEE, and LICENSEE does proceed, to verify a device in accordance with Clause 3.1 and 3.2, LICENSEE may distribute, in aggregate, up to two thousand (2000) prototype units of such device without having such devices verified provided that LICENSEE provides written evidence to ARM that; (a) the recipient of such devices is aware that such device has not passed the verification process by ARM; and (b) the recipient has agreed to keep the recipient's use of the non verified device as confidential.

2.6 Except as specifically licensed in Clause 2.1, LICENSEE acquires no right, title or interest in the ARM Secure Cores, ARM Transfer Materials or any of ARM's Intellectual Property embodied therein. In no event shall the license grant set out in Clause 2.1 be construed as granting LICENSEE, expressly or by implication, estoppel or otherwise, a license to use any ARM technology except the ARM Transfer Materials and Software. LICENSEE shall reproduce and not remove or obscure any notice incorporated in the ARM Transfer Materials by ARM to protect ARM's Intellectual Property or to acknowledge the copyright and/or contribution of any third party designer. LICENSEE shall incorporate corresponding notices and/or such other markings and notifications as ARM may reasonably require on all copies of the ARM Transfer Materials used or distributed by LICENSEE.

Subsidiaries

2.7 For the continuance of this Agreement, LICENSEE may exercise the right to include any Subsidiary as a licensee under the terms of this Agreement provided that;

(i) such Subsidiary agrees in writing, as set out in Schedule 10 to be bound by the obligations of LICENSEE and to comply with all the terms and conditions of this Agreement;

(ii) any breach of the terms and conditions of this Agreement by a Subsidiary shall constitute a breach of this Agreement by LICENSEE; and

(iii) any termination of this Agreement in accordance with the provisions of Clause 13 shall be effective in respect of all Subsidiaries.

3. Verification

3.1 For each ARM Secure Core implementation which is used in the manufacture of ARM Secure Core Based Products for sale and distribution by LICENSEE in accordance with the terms of this Agreement, LICENSEE shall in the course of generating such implementation use the ARM Transfer Materials to generate a netlist (each a **"Synthesized Netlist"**) which includes back-annotated delays derived from the physical layout of the Synthesized Netlist.

3.2 LICENSEE shall simulate the AVS on each Synthesized Netlist (defined in Clause 3.1).

3.3 LICENSEE shall deliver to ARM a copy of the log results generated by running the AVS on each respective Synthesized Netlist (the **"Synthesized Log Results"** for each Synthesized Netlist). Prior to delivery of such Synthesized Log Results LICENSEE shall give ARM as much advance

warning as practicably possible of LICENSEE's proposed delivery of such Synthesized Log Results.

3.4 Each Synthesized Netlist shall be verified for a particular process upon ARM's acceptance of the Synthesized Log Results delivered by LICENSEE.

3.5 The Synthesized Log Results shall be accepted when they indicate that no errors have been detected or where any errors detected have been jointly agreed, in good faith, and a waiver agreed between the parties.

3.6 ARM shall notify LICENSEE, in writing, within fifteen (15) days of delivery by LICENSEE of the Synthesized Log Results (**"Synthesis Verification Period"**), whether the Synthesized Log Results have been accepted by ARM or have failed the in verification process. In the event that ARM fails to confirm the result of the verification process within the Synthesis Verification Period, the Synthesized Log Results shall be deemed accepted by ARM. In the event that the Synthesized Log Results fail the verification process, ARM shall provide details of the errors which cause the failure to LICENSEE and LICENSEE shall endeavour to correct the errors. The parties shall repeat the above process until either; **(i)** the Synthesized Log Results are accepted; or **(ii)** LICENSEE withdraws the Synthesized Log Results from the verification process.

4. Trademark License

4.1 ARM hereby grants to LICENSEE a non-transferrable (subject to Clause 15.3), non-exclusive, world-wide licence to use the Trademarks in the promotion and sale of ARM Secure Core Based Products.

4.2 LICENSEE shall use one of the Trademarks, in accordance with ARM's guidelines set forth in Schedule 3 (**"Guidelines"**), on; **(i)** all ARM Secure Core Based Products sold or distributed by LICENSEE; and **(ii)** all documentation, promotional materials and software associated with such ARM Secure Core Based Products. ARM shall have the right to revise Schedule 3 and the Guidelines (including the right to add further trademarks or modify the Trademarks) provided that such revisions are made in respect of the Guidelines issued to all licencees of the Trademarks. Any such revisions shall be effective, upon written notice to LICENSEE; (a) for printed material upon ninety (90) days notice; and (b) immediately in respect of products to be manufactured after ninety (90) days from receipt of such notice.

4.3 LICENSEE shall submit samples of all documentation, packaging, and promotional or advertising materials bearing the Trademarks to ARM from time to time as requested by ARM to verify compliance with the Guidelines. LICENSEE shall immediately rectify any documentation, packaging, and promotional or advertising materials so as to comply with the Guidelines and cease using any non-compliant materials.

4.4 LICENSEE agrees to assist ARM in maintaining the validity of the Trademarks by retaining a record of its use of the Trademarks. Such records shall include samples of all uses of the Trademarks for each ARM Secure Core Based Product as well as information regarding the first use of each of the Trademarks in each country. Upon request from ARM, LICENSEE shall make available all such records to ARM.

4.5 Upon ARM's request, LICENSEE shall provide, free of charge, samples of the use of the Trademarks for the purpose of trademark registration. LICENSEE shall support ARM in the application and maintenance of any registration for the Trademarks in the name of ARM. Upon request from ARM, LICENSEE shall execute any required registered user agreements (including any such other documents required by the applicable laws of any jurisdiction) for the Trademarks. In the event that LICENSEE fails to timely execute any such documents, LICENSEE hereby irrevocably appoints ARM as its attorney with respect to such matters. Any and all registrations for the Trademarks shall be procured by and for ARM, at ARM's expense.

4.6 Except as provided by the terms of this Agreement, LICENSEE shall not use or register any trademark, service mark, device or logo or any word or mark confusingly similar to any of the Trademarks, in any jurisdiction.

5. Fees and Royalties

5.1 In consideration of the licenses granted in Clause 2.1 for the ARM Secure Core Transfer Materials, LICENSEE shall pay ARM a fee (each a **"Core Licence Fee"**) for each Unique ARM Secure Core Based Product developed by LICENSEE as set out in and in accordance with Schedule 7 Part A. If within three (3) years after the Effective Date, LICENSEE pays ARM [*****] Core Licence Fees for [*****] Unique ARM Secure Core Based Products, then during the continuance of this Agreement, LICENSEE shall not have any obligation to pay Core Licence Fees for the [*****] Unique ARM Secure Core Based Products.

5.2 In consideration of the licenses granted in Clause 2.1 for the MME Transfer Materials, LICENSEE shall pay, ARM a fee (**"MME Licence Fee"**) as set out in and in accordance with Schedule 7 Part B.

5.3 In consideration of the licenses granted in Clause 2.1, LICENSEE shall pay to ARM a royalty (**"Royalty"**), as determined in accordance with the table in Schedule 8, for each unit of ARM Secure Core Based Product sold, supplied or otherwise distributed by LICENSEE.

5.4 In consideration of the ARM Maintenance (defined in Clause 8.1) LICENSEE shall pay, ARM, annual fees (each a **"Maintenance Fee"**) as set out in and in accordance with Schedule 7 Part C. The Maintenance Fees shall be fixed for two (2) years after the Effective Date and thereafter shall be subject to re-negotiation between the parties.

5.5 In consideration of the ARM Support (defined in Clause 8.2) LICENSEE shall pay, ARM, annual fees (each a **"Support Fee"**) as set out in and in accordance with Schedule 7 Part D. The Support Fees shall be fixed for two (2) years after the Effective Date and thereafter shall be subject to re-negotiation between the parties.

5.6 Royalties (defined in Clause 5.3) due to ARM under this Agreement shall be paid in accordance with the terms set out in Schedule 4.

5.7 LICENSEE shall keep all records of account as are necessary to demonstrate compliance with its obligations under this Clause 5 for six (6) years from the date of each royalty report.

5.8 ARM shall have the right for representatives of a firm of independent Chartered Accountants to which LICENSEE shall not unreasonably object (**"Auditors"**), to make an examination and audit, by appointment made at least thirty (30) days prior to the audit, during normal business hours, not more frequently than once annually, of all records and accounts as may under recognised accounting practices contain information including; **(i)** the number of units of ARM Secure Core Based Product and the number of cores per ARM Secure Core Based Product, sold or distributed by LICENSEE under this Agreement; and **(ii)** the amount of Royalties payable to ARM under this Clause 5. The Auditors will report to ARM only upon whether the Royalties paid to ARM by LICENSEE were or were not correct, and if incorrect, what are the correct amounts for the Royalties. LICENSEE shall be supplied with a copy of or sufficient extracts from any preliminary and final report prepared by the Auditors. The Auditor's report shall (in the absence of clerical or manifest error) be final and binding on the parties. Such audit shall be at ARM's expense unless it reveals an underpayment of Royalties of five per cent (5%) or more, in which case LICENSEE shall reimburse ARM for the costs of such audit. LICENSEE shall make good any underpayment of Royalties forthwith. If the audit identifies that LICENSEE has made an overpayment of Royalties, such overpayment will be credited with the next such payment or payments to be made by LICENSEE.

[*****] -Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

5.9 Any income or other tax which LICENSEE is required by law to pay or withhold on behalf of ARM with respect to any licence fees and/or Royalties payable to ARM under this Agreement shall be deducted from the amount of such licence fees and/or Royalties otherwise due, provided, however, that in regard to any such deduction, LICENSEE shall give such assistance as may be necessary to enable or assist ARM to claim exemption therefrom, or credit therefor, and shall furnish ARM with such certificates and other evidence of deduction and payment thereof as ARM may properly require.

5.10 LICENSEE shall pay all licence fees and Royalties due to ARM under the terms of this Agreement within forty five (45) days of receipt of ARM's original invoice therefor (**"Due Date"**).

5.11 If any sum under this Agreement is not paid by the Due Date (as defined in Clause 5.10), then (without prejudice to ARM's other rights and remedies) ARM reserves the right to charge interest on such sum on a day to day basis (as well after as before any judgement) from the day after the Due Date to the date of payment at the rate of two and a half (2.5%) per cent per annum above the base rate of The Bank of England from time to time in force. Notwithstanding the foregoing, ARM may waive this requirement, at its sole discretion, in the event that LICENSEE gives ARM advance warning that it has good cause to believe that, for reasons beyond its control, it may be unable to pay any such sum on the Due Date.

6. Delivery and Acceptance

6.1 ARM shall deliver the ARM Transfer Materials to LICENSEE in accordance with the delivery schedule set out in Schedule 9.

7. Contract Management and Administration

7.1 The parties hereby appoint the following individuals as their respective contract administrator between ARM and LICENSEE with respect to this Agreement:

ARM

For Legal Notices:

VP and general Counsel
ARM Limited
110 Fulbourn Road
Cambridge
CB1 9JN

For Corporate Issues:

Chief Operations Officer
At the address above

For Financial Matters:

Financial Controller
At the address above

LICENSEE

For Legal Notices, Corporate Issues, Financial Matters, Confidential Information, Design Transfer and Support

Jay Ho Chae
Vice President/System IC SBU, SP BU, MCU
Hynix Semiconductor Inc.
1 Hyangjeong-dong Hungduk-gu
Cheongju-si
361-725 Korea

For Confidential Information:

Manager of Core Licensing
At the Address above

For Design Transfer and Support

Manager of Core Licensing
At the Fulbourn Road Address above

For Technical Matters

As above

7.2 The contract administrators identified herein are appointed by the parties for the receipt and dispatch on their behalf all communications relating to this Agreement. The contract administrators shall also be responsible for the good progress of the parties' performance under this Agreement and the timely resolution of all technical, administrative and commercial issues which may arise from time to time during the execution of this Agreement.

7.3 Each party reserves the right to change its appointment as above upon at least seven (7) days prior written notice to the other party's then current corresponding liaison.

7.4 As soon as reasonably possible after the Effective Date, the parties shall mutually agree and publish a press release relating to the contents of this Agreement and the relationship thereby established between the parties.

8. ARM Maintenance and Support

8.1 Subject to LICENSEE's payment of the Maintenance Fees, ARM shall provide to LICENSEE, in respect of the ARM Transfer Materials through the parties' contract administrator, with the following services (**"ARM Maintenance"**);

(i) the use of commercially reasonable efforts to correct any defects in the ARM Transfer Materials which cause any of the ARM Transfer Materials not to operate in accordance with the functionality described in the datasheet and/or manual for the ARM Transfer Materials, as appropriate. If ARM determines that such defects are due to errors in such datasheet and/or manual provided by ARM shall promptly issue corrections to the datasheet and/or manual and shall not be required to revise the ARM Materials, provided that use of the ARM Transfer Materials by LICENSEE is not adversely affected thereby; and

(ii) all Updates to the ARM Transfer Materials.

8.2 Subject to LICENSEE's payment of the Support Fees, ARM shall provide to LICENSEE, in respect of the ARM Transfer Materials through the parties' contract administrator, with the following services (**"ARM Support"**); reasonable telephone, e-mail and written consultation pertaining to the operation and application of the ARM Transfer Materials. The ARM Support provided under this Clause 8.2 shall be limited to a total of ten (10) person days per annum.

8.3 LICENSEE agrees to receive ARM Maintenance and ARM Support for the ARM Secure Core and the ARM Transfer Materials for two (2) years after the Effective Date and after such date may

request ARM to continue the provision of ARM Maintenance and ARM Support subject to the payment of appropriate fees mutually agreed by the parties.

8.4 Upon LICENSEE requesting ARM Maintenance pursuant to Clause 8.1 or ARM Support pursuant to the provisions of Clause 8.2, LICENSEE shall promptly provide ARM with such samples and technical information as ARM may reasonably require to enable ARM to provide such ARM Maintenance or ARM Support, as appropriate.

8.5 For the avoidance of doubt, ARM's obligation under this Clause 8 is limited expressly to the provision of ARM Support only for LICENSEE and ARM shall be under no obligation to provide ARM Support for LICENSEE's customers.

8.6 ARM Maintenance and ARM Support shall be provided from ARM's premises in Cambridge, England. Nevertheless, ARM will use reasonable efforts to provide ARM Maintenance and ARM Support to LICENSEE, at LICENSEE's premises, subject to LICENSEE bearing all reasonable travelling, accommodation and sustenance expenses incurred and agreed in advance in writing with both parties.

8.7 For the avoidance of doubt, ARM's obligation under Clause 8.2 is limited expressly to the provision of ARM Support only for LICENSEE and ARM shall be under no obligation to provide ARM Support for LICENSEE's customers.

8.8 Upon LICENSEE requesting ARM Support pursuant to the provisions of Clause 8, LICENSEE shall promptly provide ARM with such samples and technical information as ARM may reasonably require to enable ARM to provide ARM Support.

9. Confidentiality

9.1 Except as provided by Clause 9.3 and 9.4, each party shall maintain in confidence the Confidential Information disclosed by the other party and apply security measures no less stringent than the measures that such party applies to protect its own Confidential Information, but not less than a reasonable degree of care, to prevent unauthorised disclosure and use of the Confidential Information. The period of confidentiality shall be fifteen (15) years with respect to each party's Confidential Information.

9.2 LICENSEE agrees that it shall not use any of ARM's Confidential Information other than for the purposes of designing, having designed, manufacturing, having manufactured, marketing and distributing ARM Secure Core Based Products whether alone or incorporated in other products and any other activities reasonably necessary in the normal course of business for LICENSEE to sell ARM Secure Core Based Products. ARM agrees that it shall only use LICENSEE's Confidential Information for LICENSEE's purposes.

9.3 Notwithstanding the foregoing; LICENSEE shall have the right to disclose layout derived from the Synthesizable RTL identified in Schedule 1 Part C Section 1 and the MME Synthesisable RTL identified in Schedule 2 Part B Section 1, to a **Manufacturer** (as defined in Clause 2.2) pursuant to the exercise of the "have manufactured" rights granted in Clause 2.1 under an NDA with substantially similar terms to this Clause 9 but also including a prohibition on the reverse engineering of the ARM Transfer Materials and/or the derivatives therefrom and except that the confidentiality period for each deliverable shall be at a minimum of ten (10) years from the date of disclosure.

9.4 Notwithstanding the foregoing, LICENSEE shall have the right to disclose the Core Self Test Programs, to a **House** (as defined in Clause 2.3) pursuant to the exercise of the have tested rights granted in Clause 2.1 under an NDA containing substantially similar terms to this Clause 9, except that the confidentiality period for each deliverable shall be at a minimum of five (5) years from the date of disclosure.

9.5 The provisions of this Clause 9 shall not apply to information which:

(i) is known and has been reduced to tangible form by the receiving party prior to disclosure by the other party; or

(ii) is published or otherwise made available to the public other than by a breach of this Agreement by the receiving party; or

(iii) is disclosed to the receiving party by a third party without a duty of confidentiality; or

(iv) is independently conceived by the receiving party provided that the receiving party is able to provide evidence of such independent conception in the form of written records; or

(v) is released to the receiving party for disclosure to any third party, other than on a confidential basis, by the disclosing party in writing; or

(vi) is approved for release by the disclosing party; or

(vii) is released to a third party by the disclosing party without a duty of confidentiality; or

(viii) is marked (N) in the Schedules of this Agreement.

9.6 For the avoidance of doubt, LICENSEE Royalty reports may be disclosed in confidence to ARM's financial and legal advisors. In addition, ARM may disclose the total unit sales of ARM processor based products on an annual basis provided that the unit sales of such ARM Secure Core Based Products by LICENSEE are not separately identifiable or deducible therefrom.

10. Warranties

10.1 Except as expressly provided in this Agreement, the ARM Transfer Materials and Software are supplied "as is" and ARM makes no representations and gives no warranties express, implied or statutory, including, without limitation, the implied warranties of satisfactory quality or fitness for a particular purpose in respect thereof.

10.2 ARM warrants, to LICENSEE, that;

(i) the Intellectual Property in the ARM Transfer Materials does not infringe any third party copyright, design right, registered design right or maskwork right or trade secret; and

(ii) ARM has the right to enter into this Agreement.

10.3 ARM represents and warrants that as of the Effective Date, there are no pending Claims that have been made, or actions commenced, against ARM for breach by the ARM Transfer Materials of any third party Intellectual Property.

10.4 ARM warrants that the ARM Transfer Materials will be consistent and sufficient for a competent semiconductor manufacturer to produce Microarchitecture Compliant Cores, as the case may be, which meet the functionality and performance specified in the applicable Technical Reference Manual. LICENSEE's remedy for any breach of such warranty shall be for ARM, as soon as is reasonably possible, to correct any errors in the appropriate ARM Transfer Materials and deliver such corrected materials to LICENSEE in accordance with the provisions of Clause 8.

10.5 LICENSEE acknowledges that the Software cannot be tested in every possible operation, and accordingly ARM does not warrant that the Software will be free from all defects or that there will be no interruption in their use. However, ARM warrants that the Software will comply with the description of their functionality specified in the related documentation. LICENSEE's remedy for

any breach of such warranty shall be for ARM, as soon as is reasonably possible, to correct any errors in the Software and deliver such corrected Software to LICENSEE.

10.6 ARM shall not be responsible for any recoverable or non-recoverable costs incurred, directly or indirectly, by LICENSEE in the design migration, processing, or manufacture of masks and prototypes, characterization or manufacture of production quality silicon in whatever quantity.

11. Infringement

11.1 LICENSEE shall notify ARM immediately upon learning of any claim which may be made or threatened that the exercise by LICENSEE of the rights hereby licensed constitutes an infringement of the patent, copyright, maskwork right, or trade secret (together "**Rights**") of a third party and will not take any action in relation to such claim which may be prejudicial to the interests of ARM without the written consent of ARM.

11.2 ARM agrees that it will, at its expense, timely defend any suit instituted against LICENSEE and shall indemnify LICENSEE against any award of damages and costs made against LICENSEE in any such suit insofar as the same is based on a claim that the exercise by LICENSEE of its licensed rights under Clause 2.1, infringes any Right of a third party, provided that LICENSEE gives ARM timely notice in writing of the institution of such suit and permits ARM through ARM's lawyers of choice to defend the same and LICENSEE provides all available information, assistance and authority to so defend. ARM shall have control of the defence of any such suit, including appeals, and of all negotiations for settlement, including the right to effect the settlement or compromise thereof.

11.3 In the event that rights licensed to LICENSEE under Clause 2.1 are, in any suit for infringement of any Right of a third party, held to constitute an infringement, ARM shall, at its option and expense, procure for LICENSEE the right to continue exercising its rights under Clause 2.1, or, to the extent commercially practicable, replace or modify the ARM Transfer Materials, as appropriate, provided that such replacement or modification of the ARM Transfer Materials maintain compatibility, so that the exercise by LICENSEE of its rights under Clause 2.1, does not constitute an infringement.

11.4 ARM shall have no liability under this Clause 11 with respect to any suit or claim to the extent that infringement is due solely to; ARM shall have no liability under this Clause for any infringement arising from;

(i) the combination of the ARM Transfer Materials with other products not supplied by ARM if such infringement arises exclusively from such combination;

(ii) the modification of the ARM Transfer Materials unless the modification was made or approved by ARM if such infringement arises exclusively from modification;

(iii) any manufacturing process applied to the ARM Transfer Materials by LICENSEE or LICENSEE's agent; or

(iv) compliance by ARM with the LICENSEE requirement specification where such compliance necessarily lead to such infringement.

11.5 LICENSEE agrees that it will, at its expense, timely defend any suit instituted against ARM and shall indemnify ARM against any award of damages and costs made against ARM in any such suit insofar as the same is based on a claim that; **(i)** the combination of the ARM Transfer Materials with other products not supplied by ARM if such infringement arises exclusively from such combination; **(ii)** the modification of the ARM Transfer Materials unless the modification was made or approved by ARM if such infringement arises exclusively from modification; **(iii)** any manufacturing process applied to the ARM Transfer Materials by LICENSEE; or **(iv)** compliance by ARM with the LICENSEE requirement specification where such compliance necessarily lead

to infringement, infringes any Right of a third party, provided that ARM gives LICENSEE timely notice in writing of the institution of such suit and permits LICENSEE through LICENSEE's lawyers of choice to defend the same and ARM provides, at ARM's expense, all available information, assistance and authority to so defend. LICENSEE shall have control of the defence of any such suit, including appeals, and of all negotiations for settlement, including the right to effect the settlement or compromise thereof. Notwithstanding the foregoing, LICENSEE shall not be liable under the indemnification provided in this Clause 11.5 unless it is held in any suit that the infringement has been caused by the wilful action of LICENSEE.

12. Disclaimer of Consequential Damages and limitation of liability

12.1 IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES RESULTING FROM ITS PERFORMANCE OR FAILURE TO PERFORM UNDER THIS AGREEMENT, OR THE FURNISHING, PERFORMANCE OR USE OF THE ARM SECURE CORE OR ARM TRANSFER MATERIALS LICENSED HEREBY.

12.2 NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, ARM SHALL NOT BE LIABLE FOR ANY AMOUNTS IN EXCESS OF THE TOTAL CORE LICENCE FEES PAID TO ARM PURSUANT TO CLAUSE 5.1 OF THIS AGREEMENT FOR ALL PAYMENTS BY ARM TO LICENSEE MADE PURSUANT TO ALL CLAIMS IN ANY WAY ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT.

12.3 NOTHING IN THIS CLAUSE SHALL OPERATE TO EXCLUDE LIABILITY FOR DEATH OR PERSONAL INJURY RESULTING FROM EITHER PARTY'S NEGLIGENCE.

12.4 If the Synthesizable RTL and MME Synthesizable RTL for the ARM Secure Core simulates substantially the functionality described in the Technical Reference Manual, ARM shall not be liable for any loss or damage suffered by LICENSEE as a result of the failure of any ARM Secure Core Based Product to provide security of data processed by the device. If an ARM Secure Core Based Product fails to provide security of data processed by it, ARM shall, subject to the provisions of Clause 12.2, only be liable for any loss or damage suffered by LICENSEE as a result of such failure to the extent that such loss or damage is a direct result of the Synthesizable RTL and MME Synthesizable RTL for the ARM Secure Core failing to simulate substantially the functionality described in the Technical Reference Manual.

13. Term and Termination

13.1 This Agreement shall commence on the Effective Date and shall continue in force unless earlier terminated in accordance with the provisions of Clause 13.2.

13.2 Without prejudice to any other right or remedy which may be available to it, either party shall be entitled summarily to terminate this Agreement forthwith by giving written notice to the other, if the other party:

(i) has committed a material breach of any of its obligations hereunder which is not capable of remedy; or

(ii) has committed a material breach of any of its obligations hereunder which is capable of remedy but which has not been remedied within sixty (60) days following receipt of written notice to do so; or

(iii) makes any voluntary arrangement with its creditors for the general settlement of its debts or becomes subject to an administration order; or

(iv) has an order made against it, or passes a resolution, for its winding-up (except for the purposes of amalgamation or reconstruction) or has an encumbrancer take possession or has a receiver or similar officer appointed over all or substantially all of its property or assets.

14. Effect of Expiry and Termination

14.1 Upon termination of this Agreement by ARM pursuant to Clause 13.2, LICENSEE will immediately discontinue any use and distribution of all ARM Secure Core Based Products, the ARM Secure Core, the ARM Transfer Materials, any Intellectual Property embodied therein, and any ARM Confidential Information. LICENSEE shall, at ARM's option, either destroy or return to ARM any Confidential Information, including any copies thereof in its possession, together with the ARM Transfer Materials in its possession. Within one month after termination of this Agreement LICENSEE will furnish to ARM a certificate signed by a duly authorised representative of LICENSEE that to the best of his or her knowledge, information and belief, after due enquiry, LICENSEE has complied with provisions of this Clause.

14.2 Unless this Agreement is terminated by LICENSEE in accordance with the provisions of Clause 13.2, the licenses granted to LICENSEE under the terms of this Agreement shall survive (subject to the terms and conditions of this Agreement) in the event that either; **(i)** ARM makes any voluntary arrangement with its creditors for the settlement of its debts or becomes subject to an administration order; or **(ii)** ARM has an order made against it, or passes a resolution, for its winding-up (except for the purposes of amalgamation or reconstruction) or has an encumbrancer take possession or has a receiver or similar officer appointed over all or substantially all of its property or assets. Notwithstanding anything to the contrary contained elsewhere in this Agreement, if this Agreement is terminated by LICENSEE in accordance with the provisions of Clause 13.2, any and all rights, including, without limitation, all licences granted to LICENSEE hereunder shall survive such termination subject to the terms and conditions of this Agreement including, without limitation, the continued payment of Royalties in accordance with the provisions of Clause 5.3.

14.3 Upon termination the provisions of Clauses 1, 5 (to the extent that any obligation under this Clause remains outstanding) 9, 10, 11, 12, 14 and 15 shall survive termination.

15. General

15.1 All communications between the parties including, but not limited to, notices, royalty reports, error or bug reports, the exercise of options, and support requests shall be in the English language.

15.2 All notices which are required to be given hereunder shall be in writing and shall be sent to the address of the recipient set out in this Agreement or such other address as the recipient may designate by notice given in accordance with the provisions of this Clause. Any such notice may be delivered personally, by commercial overnight courier or facsimile transmission which shall be followed by a hard copy and shall be deemed to have been served if by hand when delivered, if by commercial overnight courier 48 hours after deposit with such courier, and if by facsimile transmission when dispatched.

15.3 Neither party shall assign or otherwise transfer this Agreement or any of its rights and obligations hereunder whether in whole or in part without the prior written consent of the other provided that such consent shall not be unreasonably withheld.

15.4 Neither party shall be liable for any failure or delay in its performance under this Agreement due to causes, including, but not limited to, acts of God, acts of civil or military authority, fires, epidemics, floods, earthquakes, riots, wars, sabotage, third party industrial disputes and governments actions, which are beyond its reasonable control; provided that the delayed party: (i) gives the other party written notice of such cause promptly, and in any event within fourteen (14) days of discovery thereof; and (ii) uses its reasonable efforts to correct such failure or delay in its

performance. The delayed party's time for performance or cure under this Clause 15.4 shall be extended for a period equal to the duration of the cause.

15.5 ARM and LICENSEE are independent parties. Neither company nor their employees, consultants, contractors or agents, are agents, employees or joint venturers of the other party, nor do they have the authority to bind the other party by contract or otherwise to any obligation. Neither party will represent to the contrary, either expressly, implicitly, by appearance or otherwise.

15.6 The parties agree that the terms and conditions of this Agreement shall be treated as Confidential Information hereunder and shall not be disclosed without the consent of both parties.

15.7 Failure by either party to enforce any provision of this Agreement shall not be deemed a waiver of future enforcement of that or any other provision.

15.8 If any provision of this Agreement, or portion thereof, is determined to be invalid or unenforceable the same will be enforced to the maximum extent permissible so as to effect the intent of the parties, and the remainder of this Agreement will continue in full force and effect.

15.9 The headings to the Clauses of this Agreement are for ease of reference only and shall not affect the interpretation or construction of this Agreement.

15.10 This Agreement may be executed in one or more counterparts each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

15.11 This Agreement, including all Schedules and documents referenced herein, constitutes the entire agreement between the parties with respect to the subject matter hereof, and supersedes and replaces all prior or contemporaneous understandings or agreements, written or oral, regarding the subject matter. Except in respect of changes to the Trademark Guidelines (defined in Clause 4.2) which may be changed in accordance with the provisions of Clause 4.2, no amendment to, or modification of, this Agreement shall be binding unless in writing and signed by a duly authorized representatives of both parties.

15.12 This Agreement shall be governed by and construed in accordance with the laws of England. In the event that ARM commences proceedings against LICENSEE under this Agreement, the parties agree to submit to the jurisdiction of the Seoul District Court, Korea, for the purpose of hearing and determining any disputes arising out of this Agreement. In the event that LICENSEE commences proceedings against ARM under this Agreement, the parties agree to submit to the jurisdiction of the High Court of Justice, London, England, for the purpose of hearing and determining any disputes arising out of this Agreement.

15.13 LICENSEE and ARM acknowledge that each and every term and condition of this Agreement has been fully and completely negotiated and such terms and conditions closely relate to each other. In the event that the Korean governmental authorities, including the Korean Fair Trade Commission, during the review of this Agreement require a modification to one or more of the clauses of this Agreement, ARM shall have the option to renegotiate the entire Agreement or accept the applicable modification of the Agreement as required by such governmental authorities.

15.14 Subject to the mutual agreement of the authorized executives of the parties, ARM and LICENSEE agree to issue a mutually agreed press release detailing the relationship established and products licensed under this Agreement.

IN WITNESS WHEREOF the parties have caused this Agreement to be executed by their duly authorized representatives:

ARM LIMITED:		**HYNIX SEMICONDUCTOR LIMITED**	
SIGNED	_____	SIGNED	_____
NAME:	_____	NAME:	_____
TITLE:	_____	TITLE:	_____
DATE:	_____	DATE:	_____

Exhibit 10.14

This **Technology License Agreement** ("**Agreement**") is made and entered into the 22 day of August 2001 ("**Effective Date**")

BETWEEN

ARM LIMITED whose registered office is situated at 110 Fulbourn Road, Cambridge CB1 9NJ, England ("**ARM**")

and

HYNIX SEMICONDUCTOR INC. a company organised and existing under the laws of the Republic of Korea and whose principal place of business is situated at San 136-1, Ami-ri, Bubal-eub, Ichon-si, Kyoungki-do, Republic of Korea ("**LICENSEE**").

WHEREAS

A. LICENSEE has requested ARM and ARM has agreed to license LICENSEE to manufacture and distribute certain ARM Secure Core Based Products (as defined below) on the following terms and conditions.

B. Therefore, in consideration of the mutual representations, warranties, covenants, and other terms and conditions contained herein, the parties agree as follows:

1. Definitions

1.1 "**ARM Secure Core**" means the ARM Secure Core identified in the Technical Reference Manual [DDI-0207-A].

1.2 "**ARM Secure Core Synthesizable Source**" means together; (i) the Synthesizable RTL; (ii) the Synthesis Scripts; and (iii) the Synthesis Reference Deliverables.

1.3 "**ARMv4T Instruction Sets**" means both the ARMv4 instruction set and Thumb instruction set as defined in the ARM Architecture Reference Manual [ARM DDI 0100].

1.4 "**ARM Secure Core Transfer Materials**" means together; (i) the ARM Secure Core Synthesizable Source; (ii) the Implementation Guide; (iii) the Synthesizable Functional Test Vectors; (iv) the Technical Reference Manual; (v) the AVS; (vi) the Core Self Test Programs, together with any Updates thereto delivered to LICENSEE by ARM from time to time; and (vii) any relevant supplemental documentation released by ARM to its other licensees from time to time.

1.5 "**ARM Secure Core Based Product(s)**" means any chip designed and manufactured by or for LICENSEE which is offered for sale solely for use in applications where secure processing is specified and which contains at a minimum; (i) a Microarchitecture Compliant Core; and (ii) LICENSEE or LICENSEE's customer's circuitry which adds significant functionality.

1.6 "**ARM Transfer Materials**" means together; (1) the ARM Secure Core Transfer Materials; and (ii) the MME Transfer Materials.

1.7 "**Authorized Distributor**" means any distributor appointed, in writing, by LICENSEE.

1.8 "**AVS**" means the ARM architectural validation suite identified in Schedule 1 Part H.

1.9 "**Claim**" means a written notice of infringement received by ARM from a third party demanding that ARM cease and desist from such alleged Intellectual Property infringement.

[*****] - Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

1.10 "**Confidential Information**" means; (i) any trade secrets relating to the ARM Secure Core and the ARM Transfer Materials; (ii) any information designated in writing by either party, by appropriate legend, as confidential; (iii) any information which if first disclosed orally is identified as confidential at the time of disclosure and is thereafter reduced to writing for confirmation and sent to the other party within thirty (30) days after its oral disclosure and d esignated, by appropriate legend, as confidential; and (iv) the terms and conditions of this Agreement.

1.11 "**Core Self Test Programs**" means the programs identified in Schedule 1 Part K Item K1.

1.12 "**Documentation**" means the documentation identified in Schedule 2 Part A.

1.13 "**Effective Date**" means the date of this Agreement, subject always to the provisions of Clause 15.13.

1.14 "**End User License**" means a license agreement substantially in the form set out in Schedule 6.

1.15 "**Implementation Guide**" means the documentation identified in Schedule 1 Part B.

1.16 "**Intellectual Property**" means any patents, patent rights, trade marks, service marks, registered designs, topography or semiconductor maskwork rights, applications for any of the foregoing, copyright, unregistered design right, trade secrets and know-how and any other similar protected rights in any country.

1.17 "**LICENSEE's Synthesis Timing Constraints File**" means such timing constraints file as the LICENSEE shall finalise prior to final synthesis.

1.18 "**Microarchitecture Compliant Core**" means an implementation of an ARM Secure Core manufactured under licence from ARM and which:

(i) executes each and every instruction in the ARMv4T Instruction Sets;

(ii) executes no additional instructions to those contained in the ARMv4T Instruction Sets;

(iii) exhibits a Pipeline Length of 3;

(iv) exhibits a Von Neumann Architecture;

(v) is Single Issue or Multiple Issue, as appropriate for the respective ARM Secure Core as identified in the relevant Technical Reference Manual;

(vi) implements the programmer's model as identified in the ARM Architecture Reference Manual;

(vii) passes the respective Synthesizable Functional Test Vectors; and

(viii) has been verified in accordance with the provisions of Clause 3.

1.19 "**MME Macrocell**" means the MME hardware accelerator specified in the MME Technical Reference manual SC043-TRM-0001-A.

1.20 "**MME Synthesizable RTL**" means the deliverable identified in Schedule 2 Part B Section 1.

1.21 "**MME Synthesis Scripts**" means the deliverables identified in Schedule 2 Part B Section 2.

1.22 "**MME Synthesizable Source**" means together, (i) the MME Synthesizable RTL; and (ii) the MME Synthesis Scripts.

1.23 "**MME Transfer Materials**" means together (i) the MME Synthesizable Source; (ii) the MME Validation Suite; (iii) the Documentation; (iv) the Software, together with any Updates thereto delivered to LICENSEE by ARM from time to time; and (iv) any relevant supplemental documentation released by ARM to licensees from time to time.

1.24 "**NSP**" means the net sales price of any ARM Secure Core Based Product calculated by taking the aggregate invoice price charged on arms length terms by LICENSEE and its Subsidiaries in the sale or distribution of any ARM Secure Core Based Product, less any; (i) value added, turnover, import, or other tax, duty or tariff payable thereon; (ii) freight, insurance costs incurred; and (iii) amounts actually repaid or credited with respect to any ARM Secure Core Based Product s returned.

1.25 "**MME Validation Suite**" means the deliverables identified in Schedule 2 Part C.

1.26 "**Packaging**" means the materials used to encapsulate the silicon of an ARM Secure Core Based Product.

1.27 "**Pipeline Length**" means the number of clocked stages through which each single-cycle instruction must pass to complete the execution of such instruction.

1.28 "**Single Issue**" means that only one instruction is issued for execution within the integer unit in any single clock cycle (where for the purposes of this definition "clock" means the clock that advances the pipeline).

1.29 "**Software**" means the example support software for the MME Macrocell as identified in Schedule 2 Part D, together with any Updates thereto delivered to LICENSEE by ARM from time to time.

1.30 "**Subsidiary**" means any company the majority of whose voting shares is now or hereafter owned or controlled, directly or indirectly, by a party hereto or any company a majority of whose voting shares is now or hereafter owned or controlled, directly or indirectly, by any of the aforementioned entities. The company shall be considered a Subsidiary only so long as such control exists.

1.31 "**Synthesizable Functional Test Vectors**" means the synthesizable functional test vectors identified in Schedule 1 Part D.

1.32 "**Synthesis Reference Deliverables**" means the deliverables identified in Schedule 1 Part C Section 3.

1.33 "**Synthesizable RTL**" means the deliverables identified in Schedule 1 Part C Section 1.

1.34 "**Synthesis Scripts**" means the deliverables identified in Schedule 1 Part C Section 2.

1.35 "**Technical Reference Manual**" means the technical reference manual identified in Schedule 1 Part A.

1.36 "**Trademarks**" means the trademarks identified in Schedule 3.

1.37 "**Updates**" means any enhancements and modifications including but not limited to any error corrections to the ARM Transfer Materials including any documentation associated therewith, designed by, or for ARM, the incorporation of which ARM, in its absolute discretion, decides does not cause a new product to be created.

1.38 "**Unique ARM Secure Core Based Product**" means a device manufactured by or for LICENSEE and which has a unique part number; except that a device shall not be a Unique ARM Secure Core Based Product if the device has a different part number for any or all of the following reasons:

(i) because it is an optically shrunk version of an otherwise unmodified (except to the extent accommodated by this definition) Unique ARM Secure Core Based Product;

(ii) because it is a version of an otherwise unmodified (except to the extent accommodated by this definition) Unique ARM Secure Core Based Product that has been ported to a different set of process design rules;

(iii) because it is an otherwise unmodified (except to the extent accommodated by this definition) Unique ARM Secure Core Based Product that has a different on chip memory size;

(iv) because it is an otherwise unmodified (except to the extent accommodated by this definition) Unique ARM Secure Core Based Product that has a different on chip memory content;

(v) because it is an otherwise unmodified (except to the extent accommodated by this definition) Unique ARM Secure Core Based Product that has a different on chip memory type;

(vi) because it is an otherwise unmodified (except to the extent accommodated by this definition) Unique ARM Secure Core Based Product that incorporates a bug fix (to conform to original specification for the Unique ARM Secure Core Based Product); and

(vii) because it is an otherwise unmodified (except to the extent accommodated by this definition) Unique ARM Secure Core Based Product that incorporates a different revision of the ARM Transfer Materials delivered by ARM to LICENSEE from time to time.

1.39 "**Von Neumann Architecture**" means a microprocessor architecture which dictates that the instruction stream for the integer unit shares the same port with the data stream for such integer unit.

2. Licence

2.1 Subject to the provisions of Clause 9 (Confidentiality) and the payment of appropriate fees in accordance with the provisions of Clause 5, ARM hereby grants to LICENSEE, under ARM's Intellectual Property, a non-transferable (subject to Clause 15.3), non-exclusive, perpetual (subject to termination in accordance with the provisions of Clause 13) world-wide licence, to;

ARM Secure Core Based Products

(i) use and copy the AVS and the MME Validation Suite only for the purposes of designing ARM Secure Core Based Products;

modify the MME testbench in Verilog identified as Item Cl in Schedule 2 Part C;

(ii) use, copy and modify the Core Self Test Programs only for the purposes of designing ARM Secure Core Based Products;

(iii) use and copy; (a) the Implementation Guide; and (b) the Synthesisable Reference Deliverables, only for the purposes of designing ARM Secure Core Based Products;

modify the SC100 Core Verilog GTECH Synthesis Command Files identified as Item C3 in Schedule 1 Part C Section 3;

(iv) use, copy and modify (solely to the extent necessary to run the following deliverables on LICENSEE's tester or simulator) the Synthesizable Functional Test Vectors, only for the purposes of designing ARM Secure Core Based Products;

(v) use, copy and modify (only for the purpose of substituting functional blocks in the Synthesizable RTL with functionally equivalent LICENSEE or LICENSEE's customer's functional blocks); (i) the Synthesizable RTL; and (ii) the MME Synthesizable RTL, only for the purposes of designing ARM Secure Core Based Products;

(vi) use, copy and modify; (i) the Synthesis Scripts; and (ii) the MME Synthesis Scripts, only for the purposes of designing ARM Secure Core Based Products;

(vii) manufacture and have manufactured (subject to the provisions of Clause 2.2) the ARM Secure Core Based Products created under the licences granted in Clauses 2.1(i) to 2.l(vi) inclusive;

(viii) sell, supply and distribute ARM Secure Core Based Products manufactured under the licences granted in Clause 2.1(vii) to any third party and authorise Authorised Distributors to do the same;

(ix) test and have tested (subject to the provisions of Clause 2.3) the ARM Secure Core Based Products manufactured under the licences granted in Clause 2.1(vii);

Technical Reference Manual and Documentation

(x) use, copy, modify and distribute (solely to LICENSEE's customers of ARM Secure Core Based Products and subject to the terms of a confidentiality agreement no less restrictive than those contained in this Agreement) the Technical Reference Manual only for the purposes of designing ARM Secure Core Based Products;

(xi) use, copy, modify and distribute (solely to LICENSEE's customers of ARM Secure Core Based Products and subject to the terms of a confidentiality agreement no less restrictive than those contained in this Agreement) the Documentation only for the purposes of designing ARM Secure Core Based Products;

Software

(xii) use, copy and modify the Software; and

(xiii) distribute the Software in source code or binary code form solely in conjunction with ARM Secure Core Based Products.

Have Manufactured

2.2 Subject to the provisions of Clause 9 (Confidentiality), LICENSEE may exercise its right to have ARM Secure Core Based Products manufactured by a third party manufacturer ("**Manufacturer**") in accordance with the provisions of Clause 2.1 solely to manufacture ARM Secure Core Based Products for LICENSEE provided that; (a) LICENSEE agrees not to grant to the Manufacturer any license in respect of any ARM Transfer Materials for any other purpose; and (b) that each Manufacturer agrees;

(i) to be bound by obligations of confidentiality no less restrictive than those contained in this Agreement;

(ii) to supply units of the ARM Secure Core Based Product solely to LICENSEE; and

(iii) to return any ARM Confidential Information and ARM Transfer Materials to LICENSEE on the earlier of; (a) the completion of the manufacture; and (b) the expiration of the

confidentiality period for each ARM Transfer Material in accordance with the provisions of Clause 9.

If any Manufacturer breaches the provisions of any of Clauses 2.2(i) to 2.2(iii), LICENSEE agrees that such breach shall be treated as a material breach of this Agreement by LICENSEE which shall entitle ARM to terminate this Agreement in accordance with the provisions of Clause 13.2 and LICENSEE shall hold ARM harmless from and keep ARM indemnified against all and any loss, liability, costs, damages, expenses (including the fees of lawyers and other professionals), suffered, incurred or sustained as a result of or in relation to such breach.

Have Tested

2.3 Subject to the provisions of Clause 9 (Confidentiality), LICENSEE may exercise its right to have ARM Secure Core Based Products tested by a third party ("**Test House**") in accordance with the provisions of Clause 2.1 provided that the Test House agrees:

(i) to be bound by obligations of confidentiality no less restrictive than those contained in this Agreement; and

(ii) to supply units of the tested ARM Secure Core Based Products solely to LICENSEE; and

(iii) to return any ARM Confidential Information and ARM Transfer Materials to LICENSEE on the earlier of; (a) the completion of the test; and (b) the expiration of the confidentiality period for each ARM Transfer Material in accordance with the provisions of Clause 9.

If any Test House breaches the provisions of Clauses 2.3(i) to 2.3(iii), LICENSEE agrees that such breach shall be treated as a material breach of this Agreement by LICENSEE which shall entitle ARM to terminate this Agreement in accordance with the provisions of Clause 13.2 and LICENSEE shall hold ARM harmless from and keep ARM indemnified against all and any loss, liability, costs, damages, expenses (including the fees of lawyers and other professionals), suffered, incurred or sustained as a result of or in relation to such breach.

Have Designed

2.4 On receipt of a request from LICENSEE, ARM may on a case by case basis grant LICENSEE the right to have ARM Secure Core Based Products designed by a designer subcontracted by LICENSEE ("**Designer**") provided that each Designer agrees;

(i) to be bound by obligations of confidentiality no less restrictive than those contained in this Agreement; and

(ii) to supply units of the tested ARM Secure Core Based Products solely to LICENSEE; and

(iii) to return any ARM Confidential Information and ARM Transfer Materials to LICENSEE on the earlier of; (a) the completion of the design; and (b) the end of the confidentiality period for each ARM Transfer Material in accordance with the provisions of Clause 9.

If any Designer breaches the provisions of Clauses 2.4(i) to 2.4(iii), LICENSEE agrees that such breach shall be treated as a material breach of this Agreement by LICENSEE which shall entitle ARM to terminate this Agreement in accordance with the provisions of Clause 13.2 and LICENSEE shall hold ARM harmless from and keep ARM indemnified against all and any loss, liability, costs, damages, expenses (including the fees of lawyers and other professionals), suffered, incurred or sustained as a result of or in relation to such breach. The parties shall agree for each Designer which of the ARM Transfer Materials can be delivered to such Designer.

2.5 No right is granted to LICENSEE to:

(i) except as expressly granted in Clauses 2.1, sub-license any of the rights licensed to LICENSEE under Clause 2.1; or

(ii) distribute any ARM Secure Core Based Product prior to verification in accordance with Clause 3, except that if it is the intention of LICENSEE, and LICENSEE does proceed, to verify a device in accordance with Clause 3.1 and 3.2, LICENSEE may distribute, in aggregate, up to two thousand (2000) prototype units of such device without having such devices verified provided that LICENSEE provides written evidence to ARM that; (a) the recipient of such devices is aware that such device has not passed the verification process by ARM; and (b) the recipient has agreed to keep the recipient's use of the non verified device as confidential.

2.6 Except as specifically licensed in Clause 2.1, LICENSEE acquires no right, title or interest in the ARM Secure Cores, ARM Transfer Materials or any of ARM's Intellectual Property embodied therein. In no event shall the License grant set out in Clause 2.1 be construed as granting LICENSEE, expressly or by implication, estoppel or otherwise, a license to use any ARM technology except the ARM Transfer Materials arid Software. LICENSEE shall reproduce and not remove or obscure any notice incorporated in the ARM Transfer Materials by ARM to protect ARM's Intellectual Property or to acknowledge the copyright and/or contribution of any third party designer. LICENSEE shall incorporate corresponding notices and/or such other markings and notifications as ARM may reasonably require on all copies of the ARM Transfer Materials used or distributed by LICENSEE.

Subsidiaries

2.7 For the continuance of this Agreement, LICENSEE may exercise the right to include any Subsidiary as a licensee under the terms of this Agreement provided that;

(i) such Subsidiary agrees in writing, as set out in Schedule 10 to be bound by the obligations of LICENSEE and to comply with all the terms and conditions of this Agreement;

(ii) any breach of the terms and conditions of this Agreement by a Subsidiary shall constitute a breach of this Agreement by LICENSEE; and

(iii) any termination of this Agreement in accordance with the provisions of Clause 13 shall be effective in respect of all Subsidiaries.

3. Verification

3.1 For each ARM Secure Core implementation which is used in the manufacture of ARM Secure Core Based Products for sale and distribution by LICENSEE in accordance with the terms of this Agreement, LICENSEE shall in the course of generating such implementation use the ARM Transfer Materials to generate a netlist (each a "**Synthesized Netlist**") which includes back-annotated delays derived from the physical layout of the Synthesized Netlist.

3.2 LICENSEE shall simulate the AVS on each Synthesized Netlist (defined in Clause 3.1).

3.3 LICENSEE shall deliver to ARM a copy of the log results generated by running the AVS on each respective Synthesized Netlist (the "**Synthesized Log Results**" for each Synthesized Netlist). Prior to delivery of such Synthesized Log Results LICENSEE shall give ARM as much advance warning as practicably possible of LICENSEE'S proposed delivery of such Synthesized Log Results.

3.4 Each Synthesized Netlist shall be verified for a particular process upon ARM'S acceptance of the Synthesized Log Results delivered by LICENSEE.

3.5 The Synthesized Log Results shall be accepted when they indicate that no errors have been detected or where any errors detected have been jointly agreed, in good faith, and a waiver agreed between the parties.

3.6 ARM shall notify LICENSEE, in writing, within fifteen (15) days of delivery by LICENSEE of the Synthesized Log Results ("**Synthesis Verification Period**"), whether the Synthesized Log Results have been accepted by ARM or have failed the in verification process. In the event that ARM fails to confirm the result of the verification process within the Synthesis Verification Period, the Synthesized Log Results shall be deemed accepted by ARM. In the event that the Synthesized Log Results fail the verification process, ARM shall provide details of the errors which cause the failure to LICENSEE and LICENSEE shall endeavour to correct the errors. The parties shall repeat the above process until either; (i) the Synthesized Log Results are accepted; or (ii) LICENSEE withdraws the Synthesized Log Results from the verification process.

4. Trademark License

4.1 ARM hereby grants to LICENSEE a non-transferrable (subject to Clause 15.3), non-exclusive, world-wide licence to use the Trademarks in the promotion and sale of ARM Secure Core Based Products.

4.2 LICENSEE shall use one of the Trademarks, in accordance with ARM's guidelines set forth in Schedule 3 ("**Guidelines**"), on; (i) all ARM Secure Core Based Products sold or distributed by LICENSEE; and (ii) all documentation, promotional materials and software associated with such ARM Secure Core Based Products. ARM shall have the right to revise Schedule 3 and the Guidelines (including the right to add further trademarks or modify the Trademarks) provided that such revisions are made in respect of the Guidelines issued to all licencees of the Trademarks. Any such revisions shall be effective, upon written notice to LICENSEE; (a) for printed material upon ninety (90) days notice; and (b) immediately in respect of products to be manufactured after ninety (90) days from receipt of such notice.

4.3 LICENSEE shall submit samples of all documentation, packaging, and promotional or advertising materials bearing the Trademarks to ARM from time to time as requested by ARM to verify compliance with the Guidelines. LICENSEE shall immediately rectify any documentation, packaging, and promotional or advertising materials so as to comply with the Guidelines and cease using any non-compliant materials.

4.4 LICENSEE agrees to assist ARM in maintaining the validity of the Trademarks by retaining a record of its use of the Trademarks. Such records shall include samples of all uses of the Trademarks for each ARM Secure Core Based Product as well as information regarding the first use of each of the Trademarks in each country. Upon request from ARM, LICENSEE shall make available all such records to ARM.

4.5 Upon ARM's request, LICENSEE shall provide, free of charge, samples of the use of the Trademarks for the purpose of trademark registration. LICENSEE shall support ARM in the application and maintenance of any registration for the Trademarks in the name of ARM. Upon request from ARM, LICENSEE shall execute any required registered user agreements (including any such other documents required by the applicable laws of any jurisdiction) for the Trademarks. In the event that LICENSEE fails to timely execute any such documents, LICENSEE hereby irrevocably appoints ARM as its attorney with respect to such matters. Any and all registrations for the Trademarks shall be procured by and for ARM, at ARM's expense.

4.6 Except as provided by the terms of this Agreement, LICENSEE shall not use or register any trademark, service mark, device or logo or any word or mark confusingly similar to any of the Trademarks, in any jurisdiction.

5. Fees and Royalties

5.1 In consideration of the licenses granted in Clause 2.1 for the ARM Secure Core Transfer Materials, LICENSEE shall pay ARM a fee (each a "**Core Licence Fee**") for each Unique ARM Secure Core Based Product developed by LICENSEE as set out in and in accordance with Schedule 7 Part A. If within three (3) years after the Effective Date, LICENSEE pays ARM [*****] Core Licence Fees for [*****] Unique ARM Secure Core Based Products, then during the continuance of this Agreement, LICENSEE shall not have any obligation to pay Core Licence Fees for the [*****] Unique ARM Secure Core Based Products.

5.2 In consideration of the licenses granted in Clause 2.1 for the MME Transfer Materials, LICENSEE shall pay, ARM a fee ("**MME Licence Fee**") as set out in and in accordance with Schedule 7 Part B.

5.3 In consideration of the licenses granted in Clause 2.1, LICENSEE shall pay to ARM a royalty ("**Royalty**"), as determined in accordance with the table in Schedule 8, for each unit of ARM Secure Core Based Product sold, supplied or otherwise distributed by LICENSEE.

5.4 In consideration of the ARM Maintenance (defined in Clause 8.1) LICENSEE shall pay, ARM, annual fees (each a "**Maintenance Fee**") as set out in and in accordance with Schedule 7 Part C. The Maintenance Fees shall be fixed for two (2) years after the Effective Date and thereafter shall be subject to re-negotiation between the parties.

5.5 In consideration of the ARM Support (defined in Clause 8.2) LICENSEE shall pay, ARM, annual fees (each a "**Support Fee**") as set out in and in accordance with Schedule 7 Part D. The Support Fees shall be fixed for two (2) years after the Effective Date and thereafter shall be subject to re-negotiation between the parties.

5.6 Royalties (defined in Clause 5.3) due to ARM under this Agreement shall be paid in accordance with the terms set out in Schedule 4.

5.7 LICENSEE shall keep all records of account as are necessary to demonstrate compliance with its obligations under this Clause 5 for six (6) years from the date of each royalty report

5.8 ARM shall have the right for representatives of a firm of independent Chartered Accountants to which LICENSEE shall not unreasonably object ("**Auditors**"), to make an examination and audit, by appointment made at least thirty (30) days prior to the audit, during normal business hours, not more frequently than once annually, of all records and accounts as may under recognised accounting practices contain information including; (i) the number of units of ARM Secure Core Based Product and the number of cores per ARM Secure Core Based Product, sold or distributed by LICENSEE under this Agreement; and (ii) the amount of Royalties payable to ARM under this Clause 5. The Auditors will report to ARM only upon whether the Royalties paid to ARM by LICENSEE were or were not correct, and if incorrect, what are the correct amounts for the Royalties. LICENSEE shall be supplied with a copy of or sufficient extracts from any preliminary and final report prepared by the Auditors. The Auditor's report shall (in the absence of clerical or manifest error) be final and binding on the parties. Such audit shall be at ARM's expense unless it reveals an underpayment of Royalties of five per cent (5%) or more, in which case LICENSEE shall reimburse ARM for the costs of such audit. LICENSEE shall make good any underpayment of Royalties forthwith. If the audit identifies that LICENSEE has made an overpayment of Royalties, such overpayment will be credited with the next such payment or payments to be made by LICENSEE.

5.9 Any income or other tax which LICENSEE is required by law to pay or withhold on behalf of ARM with respect to any licence fees and/or Royalties payable to ARM under this Agreement shall be deducted from the amount of such licence fees and/or Royalties otherwise due, provided, however, that in regard to any such deduction, LICENSEE shall give such assistance as may be

[*****] -Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

necessary to enable or assist ARM to claim exemption therefrom, or credit therefor, and shall furnish ARM with such certificates and other evidence of deduction and payment thereof as ARM may properly require.

5.10 LICENSEE shall pay all licence fees and Royalties due to ARM under the terms of this Agreement within forty five (45) days of receipt of ARM's original invoice therefor ("**Due Date**").

5.11 If any sum under this Agreement is not paid by the Due Date (as defined in Clause 5.10), then (without prejudice to ARM's other rights and remedies) ARM reserves the right to charge interest on such sum on a day to day basis (as well after as before any judgement) from the day after the Due Date to the date of payment at the rate of two and a half (2.5%) per cent per annum above the base rate of The Bank of England from time to time in force. Notwithstanding the foregoing. ARM may waive this requirement, at its sole discretion, in the event that LICENSEE gives ARM advance warning that it has good cause to believe that, for reasons beyond its control, it may be unable to pay any such sum on the Due Date.

6. Delivery and Acceptance

6.1 ARM shall deliver the ARM Transfer Materials to LICENSEE in accordance with the delivery schedule set out in Schedule 9.

7. Contract Management and Administration

7.1 The parties hereby appoint the following individuals as their respective contract administrator between ARM and LICENSEE with respect to this Agreement:

ARM

For Legal Notices:

VP and general Counsel
ARM Limited
110 Fulbourn Road
Cambridge
CB19JN

For Corporate Issues:
Chief Operations Officer
At the address above

For Financial Matters:
Financial Controller
At the address above

LICENSEE

For Legal Notices, Corporate Issues, Financial Matters, Confidential Information, Design Transfer and Support

Jay Ho Chac
Vice President/System IC SBU, SP BU, MCU
Hynix Semiconductor Inc.
1 Hyangjeong-dong Hungduk-gu
Cheongju-si
361-725 Korea

For Confidential Information:

Manager of Core Licensing
At the Address above

For Design Transfer and Support

Manager of Core Licensing
At the Fulbourn Road Address above

For Technical Matters

As above

7.2 The contract administrators identified herein are appointed by the parties for the receipt and dispatch on their behalf all communications relating to this Agreement. The contract administrators shall also be responsible for the good progress of the parties' performance under this Agreement and the timely resolution of all technical, administrative and commercial issues which may arise from time to time during the execution of this Agreement.

7.3 Each party reserves the right to change its appointment as above upon at least seven (7) days prior written notice to the other party's then current corresponding liaison.

7.4 As soon as reasonably possible after the Effective Date, the parties shall mutually agree and publish a press release relating to the contents of this Agreement and the relationship thereby established between the parties.

8. ARM Maintenance and Support

8.1 Subject to LICENSEE's payment of the Maintenance Fees, ARM shall provide to LICENSEE, in respect of the ARM Transfer Materials through the parties' contract administrator, with the following services ("**ARM Maintenance**");

(i) the use of commercially reasonable efforts to correct any defects in the ARM Transfer Materials which cause any of the ARM Transfer Materials not to operate in accordance with the functionality described in the datasheet and/or manual for the ARM Transfer Materials, as appropriate. If ARM determines that such defects are due to errors in such datasheet and/or manual provided by ARM shall promptly issue corrections to the datasheet and/or manual and shall not be required to revise the ARM Materials, provided that use of the ARM Transfer Materials by LICENSEE is not adversely affected thereby; and

(ii) all Updates to the ARM Transfer Materials.

8.2 Subject to LICENSEE's payment of the Support Fees, ARM shall provide to LICENSEE, in respect of the ARM Transfer Materials through the parties' contract administrator, with the following services ("**ARM Support**"); reasonable telephone, e-mail and written consultation pertaining to the operation and application of the ARM Transfer Materials. The ARM Support provided under this Clause 8.2 shall be limited to a total of ten (10) person days per annum.

8.3 LICENSEE agrees to receive ARM Maintenance and ARM Support for the ARM Secure Core and the ARM Transfer Materials for two (2) years after the Effective Date and after such date may request ARM to continue the provision of ARM Maintenance and ARM Support subject to the payment of appropriate fees mutually agreed by the parties.

8.4 Upon LICENSEE requesting ARM Maintenance pursuant to Clause 8.1 or ARM Support pursuant to the provisions of Clause 8.2, LICENSEE shall promptly provide ARM with such samples and technical information as ARM may reasonably require to enable ARM to provide such ARM Maintenance or ARM Support, as appropriate.

8.5 For the avoidance of doubt, ARM's obligation under this Clause 8 is limited expressly to the provision of ARM Support only for LICENSEE and ARM shall be under no obligation to provide ARM Support for LICENSEE's customers.

8.6 ARM Maintenance and ARM Support shall be provided from ARM's premises in Cambridge, England. Nevertheless, ARM will use reasonable efforts to provide ARM Maintenance and ARM Support to LICENSEE, at LICENSEE's premises, subject to LICENSEE bearing all reasonable travelling, accommodation and sustenance expenses incurred and agreed in advance in writing with both parties.

8.7 For the avoidance of doubt, ARM's obligation under Clause 8.2 is limited expressly to the provision of ARM Support only for LICENSEE and ARM shall be under no obligation to provide ARM Support for LICENSEE's customers.

8.8 Upon LICENSEE requesting ARM Support pursuant to the provisions of Clause 8, LICENSEE shall promptly provide ARM with such samples and technical information as ARM may reasonably require to enable ARM to provide ARM Support.

9. Confidentiality

9.1 Except as provided by Clause 9.3 and 9.4, each party shall maintain in confidence the Confidential Information disclosed by the other party and apply security measures no less stringent than the measures that such party applies to protect its own Confidential Information, but not less than a reasonable degree of care, to prevent unauthorised disclosure and use of the Confidential Information. The period of confidentiality shall be fifteen (15) years with respect to each party's Confidential Information.

9.2 LICENSEE agrees that it shall not use any of ARM's Confidential Information other than for the purposes of designing, having designed, manufacturing, having manufactured, marketing and distributing ARM Secure Core Based Products whether alone or incorporated in other products and any other activities reasonably necessary in the normal course of business for LICENSEE to sell ARM Secure Core Based Products. ARM agrees that it shall only use LICENSEE's Confidential Information for LICENSEE's purposes.

9.3 Notwithstanding the foregoing; LICENSEE shall have the right to disclose layout derived from the Synthesizable RTL identified in Schedule 1 Part C Section 1 and the MME Synthesisable RTL identified in Schedule 2 Part B Section 1, to a Manufacturer (as defined in Clause 2.2) pursuant to the exercise of the "have manufactured" rights granted in Clause 2.1 under an NDA with substantially similar terms to this Clause 9 but also including a prohibition on the reverse engineering of the ARM Transfer Materials and/or the derivatives therefrom and except that the confidentiality period for each deliverable shall be at a minimum of ten (10) years from the date of disclosure.

9.4 Notwithstanding the foregoing, LICENSEE shall have the right to disclose the Core Self Test Programs, to a House (as defined in Clause 2.3) pursuant to the exercise of the have tested rights granted in Clause 2.1 under an NDA containing substantially similar terms to this Clause 9, except that the confidentiality period for each deliverable shall be at a minimum of five (5) years from the date of disclosure.

9.5 The provisions of this Clause 9 shall not apply to information which:

(i) is known and has been reduced to tangible form by the receiving party prior to disclosure by the other party; or

(ii) is published or otherwise made available to the public other than by a breach of this Agreement by the receiving party; or

(iii) is disclosed to the receiving patty by a third party without a duty of confidentiality; or

(iv) is independently conceived by the receiving party provided that the receiving party is able to provide evidence of such independent conception in the form of written records; or

(v) is released to the receiving party for disclosure to any third party, other than on a confidential basis, by the disclosing party in writing; or

(vi) is approved for release by the disclosing party; or

(vii) is released to a third party by the disclosing party without a duty of confidentiality; or

(viii) is marked (N) in the Schedules of this Agreement.

9.6 For the avoidance of doubt, LICENSEE Royalty reports may be disclosed in confidence to ARM's financial and legal advisors. In addition, ARM may disclose the total unit sales of ARM processor based products on an annual basis provided that the unit sales of such ARM Secure Core Based Products by LICENSEE are not separately identifiable or deducible therefrom.

10. Warranties

10.1 Except as expressly provided in this Agreement, the ARM Transfer Materials and Software are supplied "as is" and ARM makes no representations and gives no warranties express, implied or statutory, including, without limitation, the implied warranties of satisfactory quality or fitness for a particular purpose in respect thereof.

10.2 ARM warrants, to LICENSEE, that;

(i) the Intellectual Property in the ARM Transfer Materials does not infringe any third party copyright, design right, registered design right or maskwork right or tradesecret; and

(ii) ARM has the right to enter into this Agreement.

10.3 ARM represents and warrants that as of the Effective Date, there are no pending Claims that have been made, or actions commenced, against ARM for breach by the ARM Transfer Materials of any third party Intellectual Property.

10.4 ARM warrants that the ARM Transfer Materials will be consistent and sufficient for a competent semiconductor manufacturer to produce Microarchitecture Compliant Cores, as the case may be, which meet the functionality and performance specified in the applicable Technical Reference Manual. LICENSEE's remedy for any breach of such warranty shall be for ARM, as soon as is reasonably possible, to correct any errors in the appropriate ARM Transfer Materials and deliver such corrected materials to LICENSEE in accordance with the provisions of Clause 8.

10.5 LICENSEE acknowledges that the Software cannot be tested in every possible operation, and accordingly ARM does not warrant that the Software will be free from all defects or that there will be no interruption in their use. However, ARM warrants that the Software will comply with the description of their functionality specified in the related documentation. LICENSEE's remedy for any breach of such warranty shall be for ARM, as soon as is reasonably possible, to correct any errors in the Software and deliver such corrected Software to LICENSEE.

10.6 ARM shall not be responsible for any recoverable or non-recoverable costs incurred, directly or indirectly, by LICENSEE in the design migration, processing, or manufacture of masks and prototypes, characterization or manufacture of production quality silicon in whatever quantity.

11. Infringement

11.1 LICENSEE shall notify ARM immediately upon learning of any claim which may be made or threatened that the exercise by LICENSEE of the rights hereby licensed constitutes an infringement of the patent, copyright, maskwork right, or trade secret (together "**Rights**") of a third party and will not take any action in relation to such claim which may be prejudicial to the interests of ARM without the written consent of ARM.

11.2 ARM agrees that it will, at its expense, timely defend any suit instituted against LICENSEE and shall indemnify LICENSEE against any award of damages and costs made against LICENSEE in any such suit insofar as the same is based on a claim that the exercise by LICENSEE of its licensed rights under Clause 2.1, infringes any Right of a third party, provided that LICENSEE gives ARM timely notice in writing of the institution of such suit and permits ARM through ARM's lawyers of choice to defend the same and LICENSEE provides all available information, assistance and authority to so defend. ARM shall have control of the defence of any such suit, including appeals, and of all negotiations for settlement, including the right to effect the settlement or compromise thereof.

11.3 In the event that rights licensed to LICENSEE under Clause 2.1 are, in any suit for infringement of any Right of a third party, held to constitute an infringement, ARM shall, at its option and expense, procure for LICENSEE the right to continue exercising its rights under Clause 2.1, or, to the extent commercially practicable, replace or modify the ARM Transfer Materials, as appropriate, provided that such replacement or modification of the ARM Transfer Materials maintain compatibility, so that the exercise by LICENSEE of its rights under Clause 2.1, does not constitute an infringement.

11.4 ARM shall have no liability under this Clause 11 with respect to any suit or claim to the extent that infringement is due solely to; ARM shall have no liability under this Clause for any infringement arising from;

(i) the combination of the ARM Transfer Materials with other products not supplied by ARM if such infringement arises exclusively from such combination;

(ii) the modification of the ARM Transfer Materials unless the modification was made or approved by ARM if such infringement arises exclusively from modification;

(iii) any manufacturing process applied to the ARM Transfer Materials by LICENSEE or LICENSEE'S agent; or

(iv) compliance by ARM with the LICENSEE requirement specification where such compliance necessarily lead to such infringement.

11.5 LICENSEE agrees that it will, at its expense, timely defend any suit instituted against ARM and shall indemnify ARM against any award of damages and costs made against ARM in any such suit insofar as the same is based on a claim that; (i) the combination of the ARM Transfer Materials with other products not supplied by ARM if such infringement arises exclusively from such combination; (ii) the modification of the ARM Transfer Materials unless the modification was made or approved by ARM if such infringement arises exclusively from modification; (iii) any manufacturing process applied to the ARM Transfer Materials by LICENSEE; or (iv) compliance by ARM with the LICENSEE requirement specification where such compliance necessarily lead to infringement, infringes any Right of a third party, provided that ARM gives LICENSEE timely notice in writing of the institution of such suit and permits LICENSEE through LICENSEE's lawyers of choice to defend the same and ARM provides, at ARM's expense, all available information, assistance and authority to so defend. LICENSEE shall have control of the defence of any such suit, including appeals, and of all negotiations for settlement, including the right to effect the settlement or compromise thereof. Notwithstanding the foregoing, LICENSEE shall not be

liable under the indemnification provided in this Clause 11.5 unless it is held in any suit that the infringement has been caused by the wilful action of LICENSEE.

12. Disclaimer of Consequential Damages and limitation of liability

12.1 IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES RESULTING FROM ITS PERFORMANCE OR FAILURE TO PERFORM UNDER THIS AGREEMENT, OR THE FURNISHING, PERFORMANCE OR USE OF THE ARM SECURE CORE OR ARM TRANSFER MATERIALS LICENSED HEREBY.

12.2 NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, ARM SHALL NOT BE LIABLE FOR ANY AMOUNTS IN EXCESS OF THE TOTAL CORE LICENCE FEES PAID TO ARM PURSUANT TO CLAUSE 5.1 OF THIS AGREEMENT FOR ALL PAYMENTS BY ARM TO LICENSEE MADE PURSUANT TO ALL CLAIMS IN ANY WAY ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT.

12.3 NOTHING IN THIS CLAUSE SHALL OPERATE TO EXCLUDE LIABILITY FOR DEATH OR PERSONAL INJURY RESULTING FROM EITHER PARTY'S NEGLIGENCE.

12.4 If the Synthesizable RTL and MME Synthesizable RTL for the ARM Secure Core simulates substantially the functionality described in the Technical Reference Manual, ARM shall not be liable for any loss or damage suffered by LICENSEE as a result of the failure of any ARM Secure Core Based Product to provide security of data processed by the device. If an ARM Secure Core Based Product fails to provide security of data processed by it, ARM shall, subject to the provisions of Clause 12.2, only be liable for any loss or damage suffered by LICENSEE as a result of such failure to the extent that such loss or damage is a direct result of the Synthesizable RTL and MME Synthesizable RTL for the ARM Secure Core failing to simulate substantially the functionality described in the Technical Reference Manual.

13. Term and Termination

13.1 This Agreement shall commence on the Effective Date and shall continue in force unless earlier terminated in accordance with the provisions of Clause 13.2.

13.2 Without prejudice to any other right or remedy which may be available to it, either party shall be entitled summarily to terminate this Agreement forthwith by giving written notice to the other, if the other party:

(i) has committed a material breach of any of its obligations hereunder which is not capable of remedy; or

(ii) has committed a material breach of any of its obligations hereunder which is capable of remedy but which has not been remedied within sixty (60) days following receipt of written notice to do so; or

(iii) makes any voluntary arrangement with its creditors for the general settlement of its debts or becomes subject to an administration order; or

(iv) has an order made against it, or passes a resolution, for its winding-up (except for the purposes of amalgamation or reconstruction) or has an encumbrancer take possession or has a receiver or similar officer appointed over all or substantially all of its property or assets.

14. Effect of Expiry and Termination

14.1 Upon termination of this Agreement by ARM pursuant to Clause 13.2, LICENSEE will immediately discontinue any use and distribution of all ARM Secure Core Based Products, the ARM Secure Core, the ARM Transfer Materials, any Intellectual Property embodied therein, and any ARM Confidential Information. LICENSEE shall, at ARM's option, either destroy or return to ARM any Confidential Information, including any copies thereof in its possession, together with the ARM Transfer Materials in its possession. Within one month after termination of this Agreement LICENSEE will furnish to ARM a certificate signed by a duly authorised representative of LICENSEE that to the best of his or her knowledge, information and belief, after due enquiry, LICENSEE has complied with provisions of this Clause.

14.2 Unless this Agreement is terminated by LICENSEE in accordance with the provisions of Clause 13.2, the licenses granted to LICENSEE under the terms of this Agreement shall survive (subject to the terms and conditions of this Agreement) in the event that either; (i) ARM makes any voluntary arrangement with its creditors for the settlement of its debts or becomes subject to an administration order; or (ii) ARM has an order made against it, or passes a resolution, for its winding-up (except for the purposes of amalgamation or reconstruction) or has an encumbrancer take possession or has a receiver or similar officer appointed over all or substantially all of its property or assets. Notwithstanding anything to the contrary contained elsewhere in this Agreement, if this Agreement is terminated by LICENSEE in accordance with the provisions of Clause 13.2, any and all rights, including, without limitation, all licences granted to LICENSEE hereunder shall survive such termination subject to the terms and conditions of this Agreement including, without limitation, the continued payment of Royalties in accordance with the provisions of Clause 5.3.

14.3 Upon termination the provisions of Clauses 1, 5 (to the extent that any obligation under this Clause remains outstanding) 9, 10, 11, 12, 14 and 15 shall survive termination.

15. General

15.1 All communications between the parties including, but not limited to, notices, royalty reports, error or bug reports, the exercise of options, and support requests shall be in the English language.

15.2 All notices which are required to be given hereunder shall be in writing and shall be sent to the address of the recipient set out in this Agreement or such other address as the recipient may designate by notice given in accordance with the provisions of this Clause. Any such notice may be delivered personally, by commercial overnight courier or facsimile transmission which shall be followed by a hard copy and shall be deemed to have been served if by hand when delivered, if by commercial overnight courier 48 hours after deposit with such courier, and if by facsimile transmission when dispatched.

15.3 Neither party shall assign or otherwise transfer this Agreement or any of its rights and obligations hereunder whether in whole or in part without the prior written consent of the other provided that such consent shall not be unreasonably withheld.

15.4 Neither party shall be liable for any failure or delay in its performance under this Agreement due to causes, including, but not limited to, acts of God, acts of civil or military authority, fires, epidemics, floods, earthquakes, riots, wars, sabotage, third party industrial disputes and governments actions, which are beyond its reasonable control; provided that the delayed party: (i) gives the other party written notice of such cause promptly, and in any event within fourteen (14) days of discovery thereof; and (ii) uses its reasonable efforts to correct such failure or delay in its performance. The delayed party's time for performance or cure under this Clause 15.4 shall be extended for a period equal to the duration of the cause.

15.5 ARM and LICENSEE are independent parties. Neither company nor their employees, consultants, contractors or agents, are agents, employees or joint venturers of the other party, nor do they have

the authority to bind the other party by contract or otherwise to any obligation. Neither party will represent to the contrary, either expressly, implicitly, by appearance or otherwise.

15.6 The parties agree that the terms and conditions of this Agreement shall be treated as Confidential Information hereunder and shall not be disclosed without the consent of both parties.

15.7 Failure by either party to enforce any provision of this Agreement shall not be deemed a waiver of future enforcement of that or any other provision.

15.8 If any provision of this Agreement, or portion thereof, is determined to be invalid or unenforceable the same will be enforced to the maximum extent permissible so as to effect the intent of the parties, and the remainder of this Agreement will continue in full force and effect.

15.9 The headings to the Clauses of this Agreement are for ease of reference only and shall not affect the interpretation or construction of this Agreement.

15.10 This Agreement may be executed in one or more counterparts each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

15.11 This Agreement, including all Schedules and documents referenced herein, constitutes the entire agreement between the parties with respect to the subject matter hereof, and supersedes and replaces all prior or contemporaneous understandings or agreements, written or oral, regarding the subject matter. Except in respect of changes to the Trademark Guidelines (defined in Clause 4.2) which may be changed in accordance with the provisions of Clause 4.2, no amendment to, or modification of, this Agreement shall be binding unless in writing and signed by a duly authorized representatives of both parties.

15.12 This Agreement shall be governed by and construed in accordance with the laws of England. In the event that ARM commences proceedings against LICENSEE under this Agreement, the parties agree to submit to the jurisdiction of the Seoul District Court, Korea, for the purpose of hearing and determining any disputes arising out of this Agreement. In the event that LICENSEE commences proceedings against ARM under this Agreement, the parties agree to submit to the jurisdiction of the High Court of Justice, London, England, for the purpose of hearing and determining any disputes arising out of this Agreement.

15.13 LICENSEE and ARM acknowledge that each and every term and condition of this Agreement has been fully and completely negotiated and such terms and conditions closely relate to each other. In the event that the Korean governmental authorities, including the Korean Fair Trade Commission, during the review of this Agreement require a modification to one or more of the clauses of this Agreement, ARM shall have the option to renegotiate the entire Agreement or accept the applicable modification of the Agreement as required by such governmental authorities.

15.14 Subject to the mutual agreement of the authorized executives of the parties, ARM and LICENSEE agree to issue a mutually agreed press release detailing the relationship established and products licensed under this Agreement.

IN WITNESS WHEREOF the parties have caused this Agreement to be executed by their duly authorized representatives:

ARM LIMITED:

SIGNED Illegible
NAME: Illegible

TITLE: EVP

HYNIX SEMICONDUCTOR LIMITED

SIGNED /s/ Jay Ho Chae
NAME: Jay Ho Chae

TITLE: VP

This **Technology License Agreement** ("**TLA**") is made the 20th day of May day of 2004 ("**Effective Date**")

BETWEEN

ARM LIMITED whose registered office is situated at 110 Fulbourn Road, Cambridge CB1 9NJ, England ("**ARM**");

and

HYNIX SEMICONDUCTOR INC. whose principal place of business is situated at Youngdong Building 891, Daechi-dong, Kangnam-gu, Seoul, Republic of Korea ("**HYNIX**").

WHEREAS

LICENSEE has requested ARM and ARM has agreed to license to LICENSEE certain ARM Technology (defined below) on the following terms and conditions.

1. Definitions

1.1 **"ARM Compliant Product"** means an integrated circuit incorporating an ARM Compliant Core as defined in the relevant Annex 1.

1.2 **"ARM Technology"** means any or all, as the context admits, of the technology identified in each Annex 1 and any Updates thereto delivered by ARM to LICENSEE.

1.3 **"ASP"** means the average sales price of an ARM Compliant Product or other device which contains royalty bearing ARM Technology, as the case may be, in a Quarter, calculated by taking the figure for the aggregate of all invoices for the distribution of such ARM Compliant Product or other device which contains royalty bearing ARM Technology in such Quarter by the entity exercising the licences to manufacture or have manufactured under this TLA (notwithstanding that such distribution may be between HYNIX and a Subsidiary of HYNIX or between Subsidiaries of HYNIX), less; **(i)** any value added, turnover, import or other tax, duty or tariff payable by law thereon; and **(ii)** any freight and insurance costs included in the invoiced price, and dividing it by the number of units of such ARM Compliant Product or other device which contains royalty bearing ARM Technology, as appropriate, accounted for under such invoices.

1.4 **"Claim"** means a written notice received by ARM and claiming infringement of the Intellectual Property of a third party by any of the ARM Technology and which demands that ARM cease and desist from such claimed Intellectual Property infringement.

1.5 **"Confidential Information"** means; **(i)** the ARM Technology and derivatives thereof (including any translation, modification, compilation, abridgement or other form in which the ARM Technology has been recast, transformed or adapted) and any trade secrets relating to the ARM Technology; **(ii)** any information designated in writing by either party, by appropriate legend, as confidential; **(iii)** any information which if first disclosed orally is identified as confidential at the time of disclosure and is thereafter reduced to writing for confirmation and sent to the other party within thirty (30) days after its oral disclosure and designated, by appropriate legend, as confidential; and **(iv)** the terms and conditions of this TLA.

1.6 **"Customer"** means any entity that has contracted with LICENSEE for the design and manufacture of an ARM Compliant Product for such entity.

1.7 **"Designer"** means any entity sub-contracted by LICENSEE to provide design resource to LICENSEE.

1.8 **"Intellectual Property"** means any patents, patent rights, trade marks, service marks, registered designs, topography or semiconductor mask work rights, applications for any of the foregoing, copyright, unregistered design right and any other similar protected rights in any country.

1.9 **"LICENSEE"** means HYNIX and any Subsidiaries of HYNIX.

1.10 **"Manufacturer"** means any entity sub-contracted by LICENSEE to manufacture integrated circuits for LICENSEE.

1.11 **"Quarter"** means each calendar quarter ending the 31st March, 30th June, 30th September and 31st December of each year.

1.12 **"Subsidiary"** means any company the majority of whose voting shares is now or hereafter owned or controlled, directly or indirectly, by a party hereto or any company a majority of whose voting shares is now or hereafter owned or controlled, directly or indirectly, by any of the aforementioned entities. A company shall be a Subsidiary only so long as such control exists.

1.13 **"Term"** means the term for which the subject ARM Technology is licensed to LICENSEE by ARM as specifically set out in Section 7 of the relevant Annex 1.

1.14 **"Test House"** means any entity sub-contracted by LICENSEE to test integrated circuits for LICENSEE.

1.15 **"Trademarks"** means the trademarks identified in Section 6 of each Annex 1.

1.16 **"Trademark Guidelines"** means the guidelines for the use of ARM's Trademarks as set out in Annex 2 and any amendment thereto delivered to LICENSEE by ARM from time to time in accordance with the provisions of Clause 2.9.

1.17 **"Updates"** means any; **(i)** error corrections developed by or for ARM; and **(ii)** functional enhancements or other modifications developed by or for ARM (which ARM in its discretion decides does not constitute a new product), together with any Intellectual Property embodied therein.

2. Licence

ARM Technology Licence

2.1 The ARM Technology shall be licensed to LICENSEE subject to the relevant license terms identified in Section 2 of the relevant Annex 1.

Subcontracting Design

2.2 Subject to the provisions of Clause 3 (Confidentiality), LICENSEE may exercise the right, if granted in Section 2 of the relevant Annex 1, to have ARM Compliant Products or other devices which contain ARM Technology licensed in accordance with the terms of this TLA, as the case may be, designed by any Designer, provided that; **(a)** LICENSEE does not grant to the Designer any license in respect of the ARM Technology for any other purpose; and **(b)** that each Designer;

(i) is subject to contractual obligations of confidentiality in respect of the ARM Confidential Information and ARM Technology which are in accordance with the provisions of Clause 3.3;

(ii) is subject to a contractual obligation to use the ARM Confidential Information and ARM Technology solely for the purpose of supplying the designs of the ARM Compliant Products or other devices which contain ARM Technology licensed in accordance with the terms of this TLA, as the case may be, solely to LICENSEE; and

(iii) is subject to a contractual obligation to return any ARM Confidential Information and ARM Technology to LICENSEE on the earlier of; **(a)** the completion of the design; and **(b)** the end of the contractual confidentiality period (in the agreement between LICENSEE and Designer) for the relevant ARM Confidential Information or ARM Technology.

If any Designer breaches the provisions of Clauses 2.2(i) to 2.2(iii), LICENSEE agrees that such breach shall be treated as a material breach of this TLA by LICENSEE which shall entitle ARM to terminate this TLA in accordance with the provisions of Clause 14.2 and LICENSEE shall hold ARM harmless from and keep ARM

indemnified against all and any loss, liability, costs, damages, expenses (including the fees of lawyers and other professionals), suffered, incurred or sustained as a result of or in relation to such breach.

Customer Collaboration

2.3 Subject to the provisions of Clause 3 (Confidentiality), LICENSEE may exercise the right, if granted in Section 2 of the relevant Annex 1, to have ARM Compliant Products or other devices which contain ARM Technology licensed in accordance with the terms of this TLA, as the case may be, designed by any Customer provided that; **(a)** LICENSEE does not grant to the Customer any license in respect of the ARM Technology for any purpose other than for collaborating on the design of ARM Compliant Products or other devices which contain ARM Technology licensed in accordance with the terms of this TLA, as the case may be, with LICENSEE and; and **(b)** that each Customer;

(i) is subject to contractual obligations of confidentiality in respect of the ARM Confidential Information and ARM Technology which are in accordance with the provisions of Clause 3.4;

(ii) is subject to a contractual obligation to use the ARM Confidential Information and ARM Technology solely for the purpose of supplying the designs of the ARM Compliant Products or other devices which contain ARM Technology licensed in accordance with the terms of this TLA, as the case may be, solely to LICENSEE; and

(iii) is subject to a contractual obligation to return any ARM Confidential Information and ARM Technology to LICENSEE on the earlier of; **(a)** the completion of the design; and **(b)** the end of the contractual confidentiality period (in the agreement between LICENSEE and Customer) for the relevant ARM Confidential Information or ARM Technology.

If any Customer breaches the provisions of Clauses 2.3(i) to 2.3(iii), LICENSEE agrees that such breach shall be treated as a material breach of this TLA by LICENSEE which shall entitle ARM to terminate this TLA in accordance with the provisions of Clause 14.2 and LICENSEE shall hold ARM harmless from and keep ARM indemnified against all and any loss, liability, costs, damages, expenses (including the fees of lawyers and other professionals), suffered, incurred or sustained as a result of or in relation to such breach.

Subcontracting Manufacture

2.4 Subject to the provisions of Clause 3 (Confidentiality), LICENSEE may exercise the right, if granted in Section 2 of the relevant Annex 1, to have ARM Compliant Products or other devices which contain ARM Technology licensed in accordance with the terms of this TLA, as the case may be, manufactured by a Manufacturer provided that; **(a)** LICENSEE does not grant to the Manufacturer any license in respect of the ARM Technology for any purpose other than for manufacturing ARM Compliant Products or other devices which contain ARM Technology licensed in accordance with the terms of this TLA, as the case may be, solely for LICENSEE; and **(b)** that each Manufacturer;

(i) is subject to contractual obligations of confidentiality in respect of the ARM Confidential Information and ARM Technology which are in accordance with the provisions of Clause 3.2;

(ii) is subject to a contractual obligation to use the ARM Confidential Information and ARM Technology solely for the purpose of supplying units of the ARM Compliant Products or other devices which contain ARM Technology licensed in accordance with the terms of this TLA, as the case may be, solely to LICENSEE; and

(iii) is subject to a contractual obligation to return any ARM Confidential Information and ARM Technology to LICENSEE on the earlier of; **(a)** the completion of the manufacture; and **(b)** the end of the contractual confidentiality period (in the agreement between LICENSEE and Manufacturer) for the relevant ARM Confidential Information or ARM Technology.

If any Manufacturer breaches the provisions of Clauses 2.4(i) to 2.4(iii), LICENSEE agrees that such breach shall be treated as a material breach of this TLA by LICENSEE which shall entitle ARM to terminate this TLA in accordance with the provisions of Clause 14.2 and LICENSEE shall hold ARM harmless from and keep ARM

indemnified against all and any loss, liability, costs, damages, expenses (including the fees of lawyers and other professionals), suffered, incurred or sustained as a result of or in relation to such breach.

Subcontracting Testing

2.5 Subject to the provisions of Clause 3 (Confidentiality), LICENSEE may exercise the right, if granted in Section 2 of the relevant Annex 1, to have tested ARM Compliant Products or other devices which contain ARM Technology licensed in accordance with the terms of this TLA, as the case may be, by a **Test House** provided that; **(a)** LICENSEE does not grant to the Test House any license in respect of the ARM Technology for any purpose other than for testing ARM Compliant Products or other devices which contain ARM Technology licensed in accordance with the terms of this TLA, as the case may be, solely for LICENSEE; and **(b)** that each Test House;

(i) is subject to contractual obligations of confidentiality in respect of the ARM Confidential Information and ARM Technology which are in accordance with the provisions of Clause 3.5;

(ii) is subject to a contractual obligation to use the ARM Confidential Information and ARM Technology solely for the purpose of supplying units of the tested ARM Compliant Products or other devices which contain ARM Technology licensed in accordance with the terms of this TLA, as the case may be, solely to LICENSEE; and

(iii) is subject to a contractual obligation to return any ARM Confidential Information and ARM Technology to LICENSEE on the earlier of; **(a)** the completion of the testing; and **(b)** the end of the contractual confidentiality period (in the agreement between LICENSEE and Test House) for the relevant ARM Confidential Information or ARM Technology.

If any Test House breaches the provisions of Clauses 2.5(i) to 2.5(iii), LICENSEE agrees that such breach shall be treated as a material breach of this TLA by LICENSEE which shall entitle ARM to terminate this TLA in accordance with the provisions of Clause 14.2 and LICENSEE shall hold ARM harmless from and keep ARM indemnified against all and any loss, liability, costs, damages, expenses (including the fees of lawyers and other professionals), suffered, incurred or sustained as a result of or in relation to such breach.

Intercompany Matters

2.6 Any breach of this TLA by a Subsidiary of HYNIX shall entitle ARM to terminate this TLA in accordance with the provisions of Clause 14.2 as if HYNIX were the party in breach. Any termination of this TLA in accordance with the provisions of Clause 14.2 shall be effective in respect of HYNIX and all Subsidiaries.

Any rights granted to any Subsidiary of HYNIX hereunder shall automatically terminate upon such Subsidiary of HYNIX ceasing to be a Subsidiary of HYNIX.

In the event that a Subsidiary of HYNIX is in breach of any of the terms of this TLA, HYNIX shall hold harmless and indemnify ARM against all and any loss, liability, costs, damages, expenses (including the reasonable fees of lawyers and other professionals) suffered, as a result of or in connection with such breach.

Licence Restrictions

2.7 Except as specifically licensed in accordance with Clause 2.1, LICENSEE acquires no right, title or interest in any ARM Confidential Information, ARM Technology or any Intellectual Property embodied therein. In no event shall the licenses granted in accordance with Clause 2.1 be construed as granting LICENSEE, expressly or by implication, estoppel or otherwise, a license to use any ARM technology except the ARM Technology.

Except as expressly licensed in accordance with Clause 2.1, no right is granted to LICENSEE to sublicense the rights granted to LICENSEE under this TLA.

LICENSEE shall **not** use or procure others to use any ARM Technology or ARM Confidential Information; **(i)** for the purposes of determining if any features, functions or processes provided by the ARM Technology or disclosed by the ARM Confidential Information are covered by any patents or patent applications owned by LICENSEE; or **(ii)** as a reference for developing inventions in respect of which LICENSEE or its agents will seek patent protection; **(iii)** for developing technology or products which work around any of ARM's Intellectual Property licensed

hereunder; or **(iv)** as a reference for modifying existing patents or patent applications or creating any continuation, continuation in part, or extension of existing patents or patent applications.

Intellectual Property Notices

2.8 LICENSEE shall reproduce and not remove or obscure any notice incorporated in the ARM Technology by ARM to protect ARM's Intellectual Property or to acknowledge the Intellectual Property of any third party. LICENSEE shall incorporate and shall require that any Designer, Customer, Manufacturer and Test House to which any ARM Technology is provided in accordance with the terms of this Agreement, incorporates corresponding notices and such other markings and notifications as ARM may reasonably require on all copies of the ARM Technology and any derivatives thereof (including any translation, modification, compilation, abridgement or other form in which the ARM Technology has been recast, transformed or adapted) created by LICENSEE, Designer, Customer, Manufacturer or Test House, as the case may be.

ARM Trademarks

2.9 ARM hereby grants to LICENSEE a non-transferable (subject to Clause 16.3), non-exclusive, royalty-free, world-wide license to use the Trademarks in connection with the promotion and sale of products developed under the licences granted in this TLA.

LICENSEE shall use the Trademarks, in accordance with the Trademark Guidelines. ARM shall have the right to revise the Trademark Guidelines and Section 6 of any Annex 1. Any such revisions shall be effective with respect to printed materials and products to be produced or manufactured after ninety (90) days from receipt of ARM's written notice specifying the revisions to LICENSEE.

Upon request from ARM, LICENSEE shall submit samples of documentation, packaging, and promotional or advertising materials bearing the Trademarks to ARM so that ARM may verify compliance with the Trademark Guidelines. In the event that any documentation, packaging, promotional or advertising material fails to comply with the Trademark Guidelines, ARM shall notify LICENSEE and LICENSEE shall rectify such documentation, packaging, and promotional or advertising materials so as to comply with the Trademark Guidelines and cease using any such non-compliant materials as soon as reasonably possible after the date of ARM's notice.

LICENSEE agrees to provide reasonable assistance to ARM in maintaining the validity of the Trademarks. Upon ARM's request, LICENSEE shall provide, free of charge, a reasonable number of samples of the use of the Trademarks for the purpose of trademark registration or renewal. Upon request, LICENSEE shall at ARM's expense execute any documents required by the applicable laws of any jurisdiction for the purpose of either or both registering and maintaining the Trademarks.

Except as provided by the terms of this TLA, LICENSEE shall not use or register, in any jurisdiction, any trademark, service mark, device or logo or any word or mark confusingly similar to any of the Trademarks.

3. Confidentiality

Restricted Disclosure

3.1 Except as expressly provided by Clauses 3.2, 3.3, 3.4, 3.5, 3.6 and 3.7, each party shall maintain in confidence the Confidential Information disclosed by the other party and apply security measures no less stringent than the measures that such party applies to its own like information, but not less than a reasonable degree of care, to prevent unauthorised disclosure and use of the Confidential Information. The period of confidentiality shall be indefinite with respect to each party's Confidential Information.

Permitted Disclosure to Manufacturers

3.2 LICENSEE may disclose the (i) the ARM Technology marked "M" in any Annex 1, and any translation, modification, compilation, abridgement or other form in which the ARM Technology marked "M" has been recast, transformed or adapted; (ii) any GDSII created by or for LICENSEE from the synthesizable RTL licensed under any Annex 1; and (iii) any masks created from the GDSII by or for LICENSEE, to a **Manufacturer** pursuant to the exercise of any have manufactured rights (if granted in Section 2 of the relevant Annex 1) solely for the purposes of having ARM Compliant Products manufactured for LICENSEE by such third party and under a non-disclosure

agreement containing substantially similar terms to this Clause 3, except that the confidentiality period for each deliverable shall be, at a minimum, of five (5) years from the date of disclosure.

Permitted Disclosure to Designers

3.3 LICENSEE may disclose the ARM Technology marked "D" in any Annex 1 and any translation, modification, compilation, abridgement or other form in which the ARM Technology marked "D" has been recast, transformed or adapted, to a **Designer** pursuant to the exercise of the have designed rights (if granted in Section 2 of the relevant Annex 1) solely for the purposes of having ARM Compliant Products designed for LICENSEE by such third party and under an non-disclosure agreement containing substantially similar terms to this Clause 3, including the confidentiality period for each deliverable determined in accordance with the provisions of Clause 3.1.

Permitted Disclosure to Customers

3.4 LICENSEE may disclose the ARM Technology marked "CS" in any Annex 1 to a **Customer** solely for the purposes of collaborating on the design of ARM Compliant Products for such third party and under an non-disclosure agreement containing substantially similar terms to this Clause 3, including the confidentiality period for each deliverable determined in accordance with the provisions of Clause 3.1.

Permitted Disclosure to Test Houses

3.5 LICENSEE may disclose (i) the ARM Technology marked "T" in any Annex 1 and any translation, modification, compilation, abridgement or other form in which the ARM Technology marked "T" has been recast, transformed or adapted; and (ii) any ATPG test vectors created by or for LICENSEE from the synthesizable RTL to a **Test House** pursuant to the exercise of the have tested rights (if granted in Section 2 of the relevant Annex 1) solely for the purposes of having ARM Compliant Products tested for LICENSEE by such third party and under an non-disclosure agreement containing substantially similar terms to this Clause 3, except that the confidentiality period for each deliverable shall be, at a minimum, five (5) years from the date of disclosure.

3.6 **Other Permitted Disclosures**

Either party may disclose Confidential Information received from the other party in the following circumstances;

(i) disclosure to third parties to the extent that the Confidential Information is required to be disclosed pursuant to a court order or as otherwise required by law, provided that the party required to make the disclosure promptly notifies the other party upon learning of such requirement and has given the other party a reasonable opportunity to contest or limit the scope of such required disclosure (including but not limited to making an application for a protective order);

(ii) disclosure to nominated third parties under written authority from the original discloser of the Confidential Information; and

(iii) disclosure to the receiving party's legal counsel, accountants or professional advisors to the extent necessary for them to advise upon the interpretation or enforcement of this Agreement.

Permitted Disclosure of LICENSEE Confidential Information

3.7 LICENSEE royalty reports may be disclosed in confidence to ARM's financial and legal advisors. In addition, ARM may disclose the total unit sales, from time to time, of ARM Compliant Products and any other devices which contain royalty bearing ARM Technology, provided that the unit sales of such products by LICENSEE are not separately identifiable or deducible therefrom.

ARM shall be permitted to disclose LICENSEE Confidential Information to Subsidiaries of ARM subject to the same terms and conditions of confidentiality as are set out in this Agreement.

Restricted Use

3.8 LICENSEE agrees that it shall not use any of ARM's Confidential Information other than pursuant to and in accordance with the exercise of any of the licences granted under this TLA.

Excepted Information

3.9 The provisions of this Clause 3 shall not apply to information which;

(i) is known to and has been reduced to tangible form by the receiving party prior to its receipt provided that such information is not already subject to any obligations of confidentiality; or

(ii) is in the public domain at the time of receipt or later becomes part of the public domain without breach of the confidentiality obligations in this TLA; or

(iii) is received from a third party without any breach of any obligation of confidentiality in respect of such information provided that such information is not subject to any continuing obligations of confidentiality; or

(iv) is identified as (N) in Section 1 of the relevant Annex 1 of this TLA.

4. Verification

4.1 Prior to the distribution of any integrated circuit incorporating a central microprocessor unit manufactured by or for LICENSEE under the licences granted in Section 2 of any Annex 1, LICENSEE shall verify such central microprocessor unit in accordance with the verification procedure set out in Section 3 of the relevant Annex 1.

5. Delivery

5.1 ARM shall use reasonable efforts to deliver the ARM Technology in each Annex 1 to LICENSEE on or before the delivery dates set out in Section 1 of the relevant Annex 1. ARM shall deliver Updates for any ARM Technology to LICENSEE as soon as reasonably possible after such Update is made generally available by ARM.

6. Fees and Royalties

Fees

6.1 HYNIX shall pay, to ARM, fees ("**Fees**") as set out in and in accordance with Section 8 of the relevant Annex 1.

Royalties

6.2 If provided for in Section 8 of a relevant Annex 1, HYNIX shall pay, to ARM, a royalty ("**Royalty**") in accordance with the provisions of such Annex 1.

For the purpose of calculating Royalties, only the distribution by the entity exercising the licences to manufacture or have manufactured under this TLA (notwithstanding that such distribution may be between HYNIX and a Subsidiary of HYNIX or between Subsidiaries of HYNIX) shall be relevant.

Any distribution of ARM Compliant Products by LICENSEE shall, in the absence of evidence to the contrary, be deemed to be distributed under the licences granted to LICENSEE under this TLA and LICENSEE shall pay Royalties to ARM accordingly. The burden of proof for rebutting the above presumption shall be on LICENSEE.

Royalty Report

6.3 HYNIX shall submit a report within thirty (30) days after the end of each Quarter, containing at least the information required by the form set out in Section 8 of each Annex 1.

Intercompany Sales

6.4 For transactions between any of HYNIX and the Subsidiaries of HYNIX, LICENSEE shall ensure that such transactions shall be conducted so that the ASP of any ARM Compliant Product or other device which contains royalty bearing ARM Technology licensed in accordance with the terms of this TLA, as the case may be, is not manipulated for the purpose of reducing the Royalties payable to ARM under this TLA. If any ARM Compliant Product or other device which contains royalty bearing ARM Technology is sold to HYNIX or to a Subsidiary of HYNIX then the invoice price shall be deemed to be the higher of the actual invoice price and what the invoice price of the ARM Compliant Product or other device which contains royalty bearing ARM Technology, as the case may

be, would have been if such ARM Compliant Product or other device which contains royalty bearing ARM Technology had been sold to an independent customer at a fair open market value.

Records

6.5 For the period of five (5) years from the date that each royalty report is delivered to ARM by HYNIX, LICENSEE shall keep such records and books of account, identifying and providing invoice details for ARM Compliant Products or any other royalty bearing ARM Technology distributed under the licences granted in this TLA, as are necessary to derive the ASP for each ARM Compliant Product or any other royalty bearing ARM Technology identified in such royalty report and to demonstrate compliance with LICENSEE's obligations under this Clause 6.

Audit

6.6 ARM shall have the right for representatives of a firm of independent Chartered Accountants ("**Auditors**"), to make an examination and audit, by prior appointment during normal business hours, of all records and accounts as may under recognised accounting practices contain information bearing upon;

(i) the number of units of ARM Compliant Products and any other devices which contain royalty bearing ARM Technology which have been distributed by LICENSEE under this TLA;

(ii) the number of ARM microprocessor cores incorporated into any ARM Compliant Product which has been distributed by LICENSEE under this TLA;

(iii) the ASP and fair market value of any ARM Compliant Product and any other devices which contain royalty bearing ARM Technology which have been distributed by LICENSEE under this TLA;

(iv) the amounts of Royalties payable to ARM under this TLA; and

(v) any fees payable to ARM under this TLA.

The Auditors shall be permitted to provide, to ARM, information relating to Clauses 6.6(i)-(iv), including but not limited to, information relating to the systems operated by LICENSEE to capture and record such information. Any information obtained pursuant to any audit performed in accordance with the provisions of this Clause 6.6 and provided by the Auditors to ARM shall be treated by ARM as LICENSEE Confidential Information. The Auditors' conclusions shall (in the absence of clerical or manifest error) be final and binding on the parties. Such audit shall be at ARM's expense unless it reveals a net underpayment of Royalties or other fees of five per cent (5%) or more in any Quarter, in which case HYNIX shall promptly reimburse ARM for the costs of such audit. HYNIX shall make good any underpayment of royalties forthwith. If the audit identifies that HYNIX has made an overpayment, such overpayment will be credited to the next payment or payments of Royalties or fees to be made by HYNIX.

Taxes

6.7 All sums stated under this TLA do not include taxes. All applicable taxes shall be payable by LICENSEE in accordance with relevant legislation in force at the relevant tax point. Any income or other tax which LICENSEE is required by law to pay or withhold on behalf of ARM with respect to any Royalties or other fees payable to ARM under this TLA may be deducted from the amount of such Royalties or other fees otherwise due, provided, however, that in regard to any such deduction, HYNIX shall give to ARM such assistance as may be necessary to enable or assist ARM to claim exemption therefrom, or credit therefor, and shall upon request furnish to ARM such certificates and other evidence of deduction and payment thereof as ARM may properly require.

Payment

6.8 HYNIX shall pay all Royalties and Fees due to ARM under the terms of this TLA within thirty (30) days of receipt of ARM's invoice therefor ("**Due Date**"). ARM shall send any invoice for payment to the address set out in Section 8 of the relevant Annex 1 and HYNIX shall provide ARM with at least ten (10) working days notice of any change to such address.

6.9 If any sum under this TLA is not paid by the Due Date (defined in Clause 6.8), then (without prejudice to ARM's other rights and remedies in addition to the invoice amount) ARM reserves the right to charge interest on such sum

on a day to day basis (as well after as before any judgement) from the Due Date to the date of payment at the rate of five (5%) per cent per annum above the base rate of National Westminster Bank PLC from time to time in force.

No Right of Set Off

6.10 All sums properly due to ARM under this Agreement shall be paid in full and LICENSEE shall not be entitled to assert against ARM any credit, set-off or counterclaim arising under any Annex 1 in order to justify withholding payment of any sum properly due under any other Annex 1. Obligations under each Annex 1 shall be construed as divisible from obligations under any other Annex 1 for the purposes of interpreting this Clause 6.10.

7 Maintenance

7.1 Subject to LICENSEE's payment of the appropriate Fees (defined in Clause 6.1), ARM shall provide to LICENSEE, in respect of the relevant ARM Technology the following maintenance for such ARM Technology ("**Maintenance**");

(i) the use of commercially reasonable efforts to correct any defects in the ARM Technology which cause such technology not to operate in accordance with the functionality described in the relevant datasheet or manual for such technology. If ARM determines that such defects are due to errors in such description ARM shall promptly issue corrections to the datasheet or manual and shall not be required to revise the ARM Technology, provided that LICENSEE's use of the ARM Technology by LICENSEE is not adversely affected thereby; and

(ii) all Updates to such ARM Technology.

7.2 Upon LICENSEE requesting ARM's assistance pursuant to the provisions of Clause 7.1(i), LICENSEE shall promptly provide to ARM such samples and technical information as ARM may reasonably require and in a form specified by ARM to enable ARM to provide such assistance.

7.3 ARM's obligation under this Clause 7 is limited expressly to the provision of Maintenance to LICENSEE and ARM shall be under no obligation to provide any maintenance to any Designer, Customer, Manufacturer, Test House or other third parties.

7.4 If ARM believes at any time that any ARM Technology infringes the Intellectual Property of any third party, then ARM, at its option and expense, may develop an Update to the relevant ARM Technology which in ARM's opinion avoids such infringement and upon receipt of such Update from ARM, LICENSEE shall cease use of the ARM Technology which the Update replaces.

8. Support

8.1 Subject to LICENSEE's payment of the appropriate Fees (defined in Clause 6.1), ARM shall provide to LICENSEE, in respect of the relevant ARM Technology, reasonable telephone, e-mail and written consultation about the operation and application of such ARM Technology. The services provided under this Clause 8.1 shall be limited in accordance with the provisions of Section 4 of the relevant Annex 1.

8.2 The support shall be provided from the relevant ARM support centre. Nevertheless, ARM will use reasonable efforts to provide support to LICENSEE, at LICENSEE's premises, subject to LICENSEE meeting all reasonable travelling, accommodation and sustenance expenses thereby incurred and agreed in advance in writing with LICENSEE.

8.3 ARM's obligation under this Clause 8 is limited expressly to the provision of support to LICENSEE and ARM shall be under no obligation to provide any support any Designer, Customer, Manufacturer, Test House or other third parties.

8.4 Upon LICENSEE requesting ARM's assistance pursuant to the provisions of Clause 8.1, LICENSEE shall promptly provide to ARM such samples and technical information as ARM may reasonably require to enable ARM to provide such assistance.

9. Training

9.1 If provided for in Section 5 of a relevant Annex 1, ARM shall provide training in respect of the relevant ARM Technology in accordance with the provisions of Section 5 of the relevant Annex 1.

10. ARM Technology Functionality Warranties

10.1 Except as expressly provided in this TLA, ARM provides no warranties express, implied or statutory, including, without limitation, the implied warranties of satisfactory quality or fitness for a particular purpose with respect to the ARM Technology.

10.2 ARM warrants to LICENSEE that the ARM Technology will be consistent with allowing a competent semiconductor manufacturer to manufacture products which substantially conform to the functionality described in the relevant technical reference manual. LICENSEE acknowledges that the process for converting the ARM Technology delivered to LICENSEE in to silicon necessarily involves the introduction and use of technology not delivered by ARM and accordingly ARM's liability and LICENSEE's sole remedy for breach of the warranty provided under this Clause 10.2 shall be as follows; if LICENSEE can demonstrate to ARM that any defect in the silicon developed using any ARM Technology is exclusively caused by a defect in the ARM Technology as delivered to LICENSEE then ARM shall use commercially reasonable efforts to correct any errors in the ARM Technology and deliver corrected ARM Technology to LICENSEE. THE FOREGOING STATES THE ENTIRE LIABILITY OF ARM WITH RESPECT TO BREACH OF THE WARRANTY PROVIDED IN THIS CLAUSE 10.2.

10.3 ARM shall not be responsible for any recoverable or non-recoverable costs incurred, directly or indirectly, by LICENSEE in the design migration, processing, or manufacture of masks and prototypes, characterization or manufacture of production quality silicon in whatever quantity.

11. ARM Technology Intellectual Property Warranties

11.1 ARM warrants, to ARM's knowledge and belief, that;

(i) the ARM Technology does not infringe any third party copyright, mask work right or trade secret; and

(ii) as at the relevant Annex Effective Date, there are no pending; **(a)** Claims, or **(b)** actions commenced against ARM for infringement by the relevant ARM Technology of any third party Intellectual Property.

12. Intellectual Property Indemnities

12.1 Except as provided under Clause 12.2, in the event of a suit against LICENSEE based upon a claim that any of the ARM Technology delivered by ARM to LICENSEE under this TLA, when used in accordance with this TLA, infringes any third party Intellectual Property, ARM agrees, subject to the limitations of Clauses 13.1 and 13.2, to defend and indemnify LICENSEE, at ARM's expense, and to pay costs and damages finally awarded in any such suit, provided that; **(i)** ARM is promptly notified by LICENSEE, in writing, of any threats, claims and proceedings related thereto; **(ii)** ARM shall have sole control of the defence and any settlement thereof; **(iii)** LICENSEE shall not make any admission of liability nor settle or otherwise compromise any such claim without ARM's prior written consent; **(iv)** LICENSEE furnishes to ARM, upon request, any information available to LICENSEE relating to the defence of such claim; **(v)** LICENSEE provides reasonable assistance to ARM in the defence of such claim; and **(vi)** ARM, at its option and expense, may; **(a)** obtain for LICENSEE the right to continue to use the ARM Technology; or **(b)** replace or modify the ARM Technology so that it becomes non-infringing, in which event LICENSEE shall cease use of the infringing ARM Technology. THE FOREGOING STATES THE ENTIRE LIABILITY OF ARM

WITH RESPECT TO INFRINGEMENT BY THE ARM TECHNOLOGY OF ANY THIRD PARTY INTELLECTUAL PROPERTY.

12.2 ARM shall have no liability under Clause 12.1 for any infringement arising from; **(i)** the combination of the ARM Technology with other products not supplied by ARM if such infringement would not have occurred but for such combination; **(ii)** the modification by LICENSEE of the ARM Technology if such infringement would not have occurred but for such modification; **(iii)** the process of synthesizing any ARM Technology including but not limited to the use by LICENSEE of LICENSEE's or LICENSEE's agent's cell libraries if such infringement would not have occurred but for the application of such process; or **(iv)** any manufacturing process applied to the ARM Technology by LICENSEE if such infringement would not have occurred but for the application of such process.

12.3 If a suit against ARM is based in whole or in part upon a claim that any of the ARM Technology delivered by ARM to LICENSEE under this TLA, when used in accordance with this TLA, infringes any third party Intellectual Property because of; **(i)** the combination of the ARM Technology with other products not supplied by ARM if such infringement would not have occurred but for such combination; **(ii)** the modification by LICENSEE of the ARM Technology if such infringement would not have occurred but for such modification; **(iii)** the process of synthesizing any ARM Technology including but not limited to the use by LICENSEE of LICENSEE's or LICENSEE's agent's cell libraries if such infringement would not have occurred but for the application of such process; or **(iv)** any manufacturing process applied to the ARM Technology by LICENSEE if such infringement would not have occurred but for the application of such process, then LICENSEE agrees to indemnify ARM for any legal costs (including attorney's fees) reasonably incurred by ARM in defending such suit, up to a maximum limit of Two Million US Dollars (US$2,000,000) per suit, provided that LICENSEE is notified promptly in writing of the suit and that at LICENSEE's request, LICENSEE is given control of and all requested reasonable assistance to defend such suit.

12.4 ARM shall only be liable under Clause 12.1 for any damages awarded by a court for infringement by any ARM Technology of the Intellectual Property of a third party, up to the date upon which such court issues its judgement. ARM shall have no continuing liability under Clause 12.1 for any loss suffered by LICENSEE in respect of the same infringement after the date of such judgement.

13. Limitation of Liability

13.1 EXCEPT IN RESPECT OF ANY BREACH OF THE PROVISIONS OF CLAUSE 3 (CONFIDENITIALITY), IN RESPECT OF WHICH A PARTY'S LIABILITY SHALL BE UNLIMITED, IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES WHETHER SUCH DAMAGES ARE ALLEGED AS A RESULT OF TORTIOUS CONDUCT (INCLUDING NEGLIGENCE) OR BREACH OF CONTRACT OR OTHERWISE EVEN IF THE OTHER PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

13.2 NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS TLA, THE MAXIMUM LIABILITY OF ARM TO LICENSEE IN AGGREGATE FOR ALL CLAIMS MADE AGAINST ARM IN CONTRACT TORT OR OTHERWISE UNDER OR IN CONNECTION WITH THE SUBJECT MATTER OF EACH ANNEX 1 **SHALL NOT EXCEED THE TOTAL AMOUNT OF THE FEES (DEFINED IN CLAUSE 6.1) PAID BY LICENSEE TO ARM UNDER SUCH ANNEX 1.** THE EXISTENCE OF MORE THAN ONE CLAIM OR SUIT WILL NOT ENLARGE OR EXTEND THE LIMIT. LICENSEE RELEASES ARM FROM ALL OBLIGATIONS, LIABILITY, CLAIMS OR DEMANDS IN EXCESS OF THIS LIMITATION.

13.3 NOTHING IN THIS CLAUSE SHALL OPERATE TO EXCLUDE LIABILITY FOR DEATH OR PERSONAL INJURY RESULTING FROM EITHER PARTY'S NEGLIGENCE.

13.4 The parties hereby acknowledge that the provisions of this Clause 13 allocate the risks under this Agreement between ARM and Customer after negotiation and ARM's pricing reflects this allocation of risk and the limitation of liability specified herein.

Initials of ARM authorised signatory

Initials of HYNIX authorised signatory

14. Term, Termination and Expiration

TLA Term

14.1 Except as provided below, this TLA shall commence on the Effective Date and shall continue in force unless earlier terminated in accordance with the provisions of either of Clause 14.2 or Clause 14.3.

Termination by Either Party

14.2 Without prejudice to any other right or remedy which may be available to it, either party shall be entitled to immediately terminate this TLA (including all Annexes incorporated thereunder) by giving written notice to the other, if the other party:

(i) has committed a material breach of any of its obligations hereunder which is not capable of remedy; or

(ii) has committed a material breach of any of its obligations hereunder which is capable of remedy but which has not been remedied within a period of sixty (60) days following receipt of written notice to do so; or

(iii) any circumstances arise which would entitle the court or a creditor to appoint a receiver, administrative receiver or administrator or to present a winding-up petition or make a winding-up order; or

(iv) makes any voluntary arrangement with its creditors for the general settlement of its debts or becomes subject to an administration order; or

(v) has an order made against it, or passes a resolution, for its winding-up (except for the purposes of amalgamation or reconstruction) or has a receiver or similar officer appointed over all or substantially all of its property or assets.

Termination by ARM

14.3 If a court of competent jurisdiction issues a judgement that any ARM Technology infringes the Intellectual Property of a third party, then the licences granted to such ARM Technology under this TLA shall terminate unless LICENSEE or ARM has obtained the necessary rights, from such third party, for LICENSEE to continue to exercise such licenses.

Annex Expiry

14.4 Each Annex shall commence on the Annex Effective Date (defined in each Annex 1) and shall continue in force for the Term set out therein unless earlier terminated in accordance with the provisions either Clause 14.2 or Clause 14.3.

15. Effect of Expiry and Termination

Termination by ARM

15.1 Upon termination of this TLA by ARM in accordance with either of Clause 14.2, LICENSEE will immediately discontinue any use and distribution of all ARM Technology, ARM Confidential Information and any products embodying such technology or information. LICENSEE shall, at ARM's option, either destroy or return to ARM any ARM Confidential Information, including any copies thereof in its possession and any ARM Technology or derivatives (including any translation, modification, compilation, abridgement or other form in which the ARM Technology has been recast, transformed or adapted) thereof in its possession. Within one month after termination of this TLA LICENSEE will furnish to ARM a certificate signed by a duly authorised representative of LICENSEE that to the best of his or her knowledge, information and belief, after due enquiry, LICENSEE has complied with provisions of this Clause.

Upon termination of this TLA by ARM in accordance with either of Clauses 14.2; **(i)** the termination date shall be treated as the end of a Quarter for the purpose of accounting for Royalties to ARM; and **(ii)** any fees outstanding,

whether or not such fees have become due at the date of termination) shall become due and payable to ARM in accordance with the provisions of Clause 6.

Termination by LICENSEE

15.2 Upon termination of this TLA by LICENSEE pursuant to Clause 14.2 the licenses granted under Clause 2 of this TLA shall survive such termination, subject to the terms and conditions of this TLA including but not limited to LICENSEE's continued payment, to ARM, its liquidator or receiver of any fees and Royalties due at the date of termination or in the future in accordance with the provisions of Clause 6.

Annex 1 Termination

15.3 Upon termination of any Annex 1 in accordance with the provisions of Clause 14.3 LICENSEE will immediately discontinue any use and distribution of all the relevant ARM Technology, ARM Confidential Information and any products embodying such technology or information. LICENSEE shall, at ARM's option, either destroy or return to ARM any ARM Confidential Information, including any copies thereof in its possession and any ARM Technology or derivatives (including any translation, modification, compilation, abridgement or other form in which the ARM Technology has been recast, transformed or adapted) thereof in its possession licensed or disclosed to LICENSEE in connections with such Annex 1. Within one month after termination of the relevant Annex 1, LICENSEE will furnish to ARM a certificate signed by a duly authorised representative of LICENSEE that to the best of his or her knowledge, information and belief, after due inquiry, LICENSEE has complied with provisions of this Clause 15.3.

Upon termination of any Annex 1 by ARM in accordance with either of Clauses 14.3; **(i)** the termination date shall be treated as the end of a Quarter for the purpose of accounting for Royalties to ARM; and **(ii)** any fees outstanding, whether or not such fees have become due at the date of termination) shall become due and payable to ARM in accordance with the provisions of Clause 6.

Annex 1 Expiry

15.4 Upon expiry of any Annex 1 in accordance with the provisions of Clause 14.4,

(i) any licences granted under Section 2 of the relevant Annex 1, to use copy and modify the relevant ARM Technology to develop products shall cease;

(ii) any licences granted under Section 2 of the relevant Annex 1, to manufacture, have manufactured and sell supply or otherwise distribute products developed using the relevant ARM Technology shall survive subject to the terms and conditions of this TLA and subject to the continued payment to ARM of any fees and Royalties due at the time of expiry and in the future under the terms of this TLA and provided that such products are already being distributed at the date of expiry of the Annex 1; and

(iii) except as expressly provided to the contrary in this Clause 15.4(iii), LICENSEE shall at ARM's option, either destroy or return to ARM any ARM Confidential Information, including any copies thereof in its possession and any ARM Technology or derivatives (including any translation, modification, compilation, abridgement or other form in which the ARM Technology has been recast, transformed or adapted) thereof in its possession but LICENSEE may keep one copy of the relevant ARM Technology for the purpose of supporting the products referred to in Clause 15.4(ii).

15.5 Upon termination the provisions of Clauses 1, 3, 6 (to the extent that any obligation under this Clause remains outstanding), 11, 13, 15 and 16 shall survive termination.

16. General

16.1 All communications between the parties including, but not limited to, notices, royalty reports, error or bug reports, the exercise of options, and support requests shall be in the English language.

16.2 All notices which are required to be given hereunder shall be in writing and shall be sent to the address of the recipient set out below (either party may change their respective address for service by giving notice of the change to the other party). Any such notice may be delivered personally, by commercial overnight courier or facsimile transmission which shall be followed by a hard copy and shall be deemed to have been served if by hand when

delivered, if by commercial overnight courier 48 hours after deposit with such courier, and if by facsimile transmission when dispatched.

ARM Contact	LICENSEE Contact

16.3 Neither party shall assign or otherwise transfer this TLA or any of its rights and obligations hereunder whether in whole or in part without the prior written consent of the other, such consent not to be unreasonably withheld. An assignment shall be deemed to include, without limitation; **(i)** a merger of one party with a third party, whether or not the party is a surviving entity; **(ii)** any transaction or series of transactions whereby a third party acquires direct or indirect power to control the management and policies of the party, whether through the acquisition of voting securities, by contract or otherwise; or **(iii)** the sale of more than fifty percent (50%) of the party's assets whether in a single transaction or series of transactions.

16.4 Neither party shall be liable for any failure or delay in its performance under this TLA due to causes, including, but not limited to, acts of God, acts of civil or military authority, fires, epidemics, floods, earthquakes, riots, wars, sabotage, third party industrial disputes and governments actions, which are beyond its reasonable control; provided that the delayed party: (i) gives the other party written notice of such cause promptly, and in any event within fourteen (14) days of discovery thereof; and (ii) uses its reasonable efforts to correct such failure or delay in its performance. The delayed party's time for performance or cure under this Clause 16.4 shall be extended for a period equal to the duration of the cause.

16.5 ARM and LICENSEE are independent parties. Neither company nor their employees, consultants, contractors or agents are agents, employees or joint venturers of the other party, nor do they have the authority to bind the other party by contract or otherwise to any obligation. Neither party will represent to the contrary, either expressly, implicitly, by appearance or otherwise.

16.6 Except as expressly provided under Clause 3 of this TLA, the parties agree that the terms and conditions of this TLA shall be treated as Confidential Information hereunder and shall not be disclosed without the consent of both parties.

16.7 Failure or delay by either party to enforce any provision of this TLA shall not be deemed a waiver of future enforcement of that or any other provision.

16.8 The provisions contained in each clause and sub-clause of this TLA shall be enforceable independently of each of the others and if a provision of this TLA is, or becomes, illegal, invalid or deemed unenforceable by any court or administrative body of competent jurisdiction it shall not affect the legality, validity or enforceability of any other provisions of this TLA. If any of these provisions is so held to be illegal. Invalid or unenforceable but would be legal, valid or enforceable if some part of the provision were deleted, the provision in question will apply with such modification as may be necessary to make it legal, valid or enforceable.

16.9 This TLA, including all Annexes, constitutes the entire agreement between the parties with respect to the subject matter hereof, and supersedes and replaces all prior or contemporaneous understandings or agreements, written or oral, regarding the subject matter. Except in respect of changes to the Trademark Guidelines which may be changed in accordance with the provisions of Clause 2.9, no amendment to or modification of this TLA shall be binding unless in writing and signed by a duly Authorized representative of both parties.

16.10 The ARM Technology provided under this TLA is subject to U.S. export control laws, including the U.S. Export Administration Act and its associated regulations, and may be subject to export or import regulations in other countries. LICENSEE agrees to comply fully with all laws and regulations of the United States and other countries ("**Export Laws**") to assure that neither the ARM Technology, nor any direct products thereof are; **(i)** exported, directly or indirectly, in violation of Export Laws, either to any countries that are subject to U.S export restrictions or to any end user who has been prohibited from participating in the U.S. export transactions by any federal agency

of the U.S. government; or **(ii)** intended to be used for any purpose prohibited by Export Laws, including, without limitation, nuclear, chemical, or biological weapons proliferation.

16.11 Any ARM Technology provided to the US Government pursuant to solicitations issued on or after December 1st 1995 is provided with the rights and restrictions described elsewhere herein. Any ARM Technology provided to the US Government pursuant to solicitations issued prior to December 1st 1995 is provided with "Restricted Rights" as provided for in FAR, 48 CFR 52.227-14 (JUNE 1987) or DFAR, 48 CFR 252.227-7013 (OCT 1988), as applicable. LICENSEE shall be responsible for ensuring that the ARM Technology is marked with the "Restrictive Rights Notice" or "Restrictive Rights Legend", as required.

16.12 Except as expressly stated in this TLA, the Contracts (Rights of Third Parties) Act 1999 and any legislation amending or replacing that Act shall not apply in relation to this TLA or any agreement, arrangement, understanding, liability or obligation arising under or in connection with this TLA and nothing in this TLA shall confer on any third party the right to enforce any provision of this TLA.

16.13 The validity, construction and performance of this TLA shall be governed by English Law. In the event that ARM commences proceedings against LICENSEE under this Agreement, the parties agree to submit to the jurisdiction of the Seoul District Court, Korea, for the purpose of hearing and determining any disputes arising out of this Agreement. In the event that LICENSEE commences proceedings against ARM under this Agreement, the parties agree to submit to the jurisdiction of the High Court of Justice, London, England, for the purpose of hearing and determining any disputes arising out of this Agreement.

IN WITNESS WHEREOF the parties have caused this TLA to be executed by their duly authorised representatives:

ARM LIMITED:		**HYNIX SEMICONDUCTOR INC.**	
SIGNED	_____	SIGNED	_____
NAME:	_____	NAME:	_____
TITLE:	_____	TITLE:	_____
DATE:	_____	DATE:	_____

This Design Migration Agreement ("Agreement") is made the 01 day of May 2007

between

ARM LIMITED whose registered office is situated at 110 Fulbourn Road , Cambridge, CBI 9NJ, United Kingdom **("ARM");**

and

MAGNACHIP SEMICONDUCTOR, LTD. whose principal place of bussiness is situated at c/o 891 Daechi-dong, Gangnam-gu, Seoul 135-738, Korea **("Customer").**

THE PARTIES HEREBY AGREE AS FOLLOWS;

1. Definitions

"**Active Project**" means a project described in a Project Statement for which any fees as set out in the Fees Statement remain unpaid.

"**ARM Services**" means the services to be provided by ARM to Customer and described in Section 1 of each Statement of Work, subject to any change thereto effected by Change Order.

"**ARM Deliverables**" means the items identified in Section 2 of each Statement of Work, subject to any change thereto effected by Change Order.

"**ARM Delivery Schedule**" means the forecast dates for the performance of the ARM Services for and delivery of the ARM Deliverables to, Customer and set out respectively in Section 1 and Section 2 of each Statement of Work, subject to any change thereto effected by Change Order.

"**Assumptions**" means the assumptions made by ARM and circumstances contemplated by the parties in respect of each project as at the Effective Date (defined in each Project Statement) as set out in Section 5 of each Project Statement.

"**Change Order**" means a document signed by both parties recording any changes to any Project Statement from time to time that have been mutually agreed by the parties.

"**Confidential Information**" means; (i) ARM Deliverables (including any translation, modification, compilation, abridgement or other form in which the ARM Deliverables have been recast, transformed or adapted) and any trade secrets relating to the ARM Deliverables; (ii) any information designated in writing by either party, by appropriate legend, as confidential; (iii) any information which if first disclosed orally is identified as confidential at the time of disclosure and is thereafter reduced to writing for confirmation and sent to the other party within thirty (30) days after its oral disclosure and designated, by appropriate legend as confidential; and (iv) the terms and conditions of this Agreement

"**Customer Deliverables**" means the items identified in Section 3 of each Statement of Work, subject to any change thereto effected by Change Order.

"**Customer Delivery Schedule**" means the dates for delivery of the Customer Deliverables to ARM and set out in Section 3 of each Statement of Work, subject to any change thereto effected by Change Order.

"**Design Rules**" means the process design rules specified by Customer and identified in Section 4 of each Statement of Work.

"**Fees Statement**" means the statement (Schedule 2 of each Project Statement) setting out the amount of or basis for charging fees due to ARM for the performance of the ARM Services and delivery of the ARM Deliverables to Customer for each Project Statement together with the dates upon which such fees shall be due, subject to any change thereto effected by Change Order.

"**Intellectual Property**" means any patents, patent rights, trade marks, service marks, registered designs, topography or semiconductor mask work rights, applications for any of the foregoing, unregistered design

[*****] - Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

rights, copyright and any other similar protected rights in any country to the extent recognised by any relevant jurisdiction as intellectual property, trade secrets, know-how and Confidential Information.

"**Prefab Characterisation Conditions**" means the prefabrication characterisation conditions specified by Customer and identified in Section 4 of each Statement of Work.

"**Project Statement**" means a statement (Annexed hereto) signed by both parties and referencing this Agreement comprising a Statement of Work and Fees Statement, subject to any change thereto effected by Change Order.

"**Statement of Work**" means the statement (Schedule 1 of each Project Statement) detailing each separate project undertaken by ARM for Customer from time to time under the terms and conditions of this Agreement and including a description of the ARM Services, the ARM Deliverables, the ARM Delivery Schedule, a description of the Customer Deliverables and the Customer Delivery Schedule, subject to any change thereto effected by Change Order.

"Subsidiary" means any company the majority of whose voting shares is now or hereafter owned or controlled, directly or indirectly, by a party hereto. A company shall be a Subsidiary only so long as such control exists.

"**TLA**" means the technology license agreement identified on page one (1) of each Project Statement.

2. Provision of ARM Services

2.1 ARM shall perform the ARM Services for Customer in accordance with the terms and conditions of this Agreement.

2.2 ARM shall perform the ARM Services utilising such resources, employees and subcontractors as ARM in its sole discretion deems appropriate.

2.3 ARM shall use commercially reasonable efforts to perform the ARM Services in accordance with the ARM Delivery Schedule.

3. ARM Deliverables

Change Control

3.1 Either party may request an amendment to a Project Statement by Change Order.

3.2 Customer may request a Change Order by submitting a request for a Change Order ("**Change Order Request**") to ARM. A Change Order Request may be oral or in writing and shall not require any formality. Any request from Customer which ARM reasonably believes will affect the terms of a Project Statement may be deemed by ARM to be a Change Order Request ARM shall review any Change Order Request in good faith and report to Customer in writing in the form of a draft Change Order; (i) whether such change is technically feasible and if technically feasible; (ii) the reasonable impact on the ARM Delivery Schedule and Customer Delivery Schedule; and (iii) any necessary revision to the ARM Services, ARM Deliverables, Customer Deliverables and Fees Statement, as appropriate. ARM shall be under no obligation to accept the terms of any Change Order Request and Customer shall be under no obligation to accept the terms of any draft Change Order. If the terms of a Change Order Request are agreed by ARM and the terms of a respective draft Change Order are agreed by Customer the draft Change Order shall be signed by both parties. Customer shall bear all costs and expenses associated with any variation requested by Customer to any Project Statement including the cost of any feasibility study connected with the analysis of such variation. ARM shall be entitled to continue performing the ARM Services in accordance with the relevant Project Statement until the parties have agreed the terms of any Change Order

3.3 ARM may request a Change Order in response to a Change Order Request by Customer by submitting a draft Change Order to Customer. Within ten (10) working days of receiving a draft Change Order from ARM, Customer shall review the draft Change Order in good faith and report to ARM in writing whether the terms of such draft Change Order are acceptable. Customer shall be under no obligation to accept the terms of any draft Change Order. If the terms of a draft Change Order are accepted by Customer the draft Change Order shall be signed by both parties. If no report on the draft Change Order is received by ARM from Customer within ten (10) working days of receipt of the Change Order by Customer then ARM may deem the terms of such draft Change Order to have been agreed by Customer.

3.4 Any Change Order shall be attached to the Project Statement. After execution of a Change Order by both parties the amendments detailed therein shall be incorporated into the Project Statement and Fees Statement as appropriate and shall form part of this Agreement

Delivery

3.5 Subject to the prior execution of the TLA by ARM and Customer, ARM shall use commercially reasonable efforts to deliver the ARM Deliverables to Customer in accordance with the ARM Delivery Schedule. ARM shall have no obligation to deliver the ARM Deliverables to Customer prior to execution of the TLA by ARM and Customer.

4 ARM Services; Limited Warranty and Limitation of Liability

4.1 ARM shall use reasonable skill and care in performing the ARM Services for Customer.

4.2 Customer acknowledges that changes to any of the Design Rules, Prefab Characterisation Conditions or Assumptions may affect the ability of ARM to perform the ARM Services in accordance with the ARM Delivery Schedule and in such event the parties shall work together in good faith to minimize the impact of the change. Any change to the Project Statement resulting from any changes to any of the Design Rules, Prefab Characterization Conditions or Assumptions shall be managed by Change Order in accordance with the provisions of Clause 3. ARM shall have no liability for any delays or increased costs in the provision of the ARM Services which result directly from changes to any of the Design Rules, Prefab Characterization Conditions or Assumptions.

5. ARM Deliverables and Limitation of Liability

5.1 Customer acknowledges that changes to any of the Design Rules, Prefab Characterisation Conditions or Assumptions set out by the parties in the relevant Statement of Work may affect the ability of ARM to deliver the ARM Deliverables in accordance with the ARM Delivery Schedule and in such event the parties shall work together in good faith to minimize the impact of the change. Any change to the Project Statement resulting from any changes to any of the Design Rules, Prefab Characterization Conditions or Assumptions shall be managed by Change Order in accordance with the provisions of Clause 3. ARM shall have no liability for any delays or increased costs in the delivery of the ARM Deliverables which result directly from changes to any of the Design Rules, Prefab Characterization Conditions or Assumptions.

6. Customer Deliverables

6.1 Customer shall provide ARM with all necessary accurate information and support and co-operation that may be reasonably required to enable ARM to perform the ARM Services for and deliver the ARM Deliverables to Customer in accordance with the ARM Delivery Schedule.

6.2 Customer shall use commercially reasonable efforts to deliver the Customer Deliverables to ARM in accordance with the Customer Delivery Schedule.

6.3 ARM shall test each Customer Deliverable within ten (10) days of its receipt from Customer, and upon completion of the testing shall report to Customer, in writing, within two (2) working days whether or not the Customer Deliverable is accepted by ARM. If ARM believes that any Customer Deliverable is not acceptable, ARM shall provide Customer with details of why the deliverable is not acceptable and Customer shall use reasonable commercial efforts to modify the Customer Deliverable so that it is acceptable to ARM.

6.4 If Customer fails; (i) to deliver, in accordance with the Customer Delivery Schedule, Customer Deliverables which are accepted by ARM in accordance with the provisions of Clause 6.3; or (ii) to provide ARM with all necessary, accurate information, support and co-operation that may be reasonably required to enable ARM to provide the ARM Services for and delivery of the ARM Deliverables to Customer in accordance with the ARM Delivery Schedule and such failure prevents ARM from meeting any of its obligations under Clauses 2.3 and 3.5, ARM shall be permitted to extend any relevant dependent dates in the ARM Delivery Schedule by Change Order for such period as is reasonable. If ARM's cost of providing the ARM Services to Customer is increased as a result of a failure by the Customer; (i) to deliver, in accordance with the Customer Delivery Schedule, Customer Deliverables which are accepted by ARM in accordance with the provisions of Clause 6.3; or (ii) to provide ARM with all necessary, accurate information, support and co-operation that may reasonably be required to enable ARM to provide the ARM Services for and delivery of the ARM Deliverables to Customer in accordance with the ARM Delivery Schedule, then the Customer shall pay such increased costs reasonably incurred on a time and materials basis at ARM'S then prevailing consulting rate. Such increased costs reasonably incurred may include the cost of time during which ARM resources are under utilised as a direct result of the Customers failure to deliver, in accordance with the Customer Delivery Schedule, any Customer Deliverable which is accepted by ARM in accordance with the provisions of Clause 6.3. Any such change in the cost of providing the ARM Services to Customer shall be managed by Change Order in accordance with the provisions of Clause 3.3 except that provided the terms of the Change Order are reasonable Customer shall have no right to reject such Change Order.

7. Fees, Taxes and Payment

7.1 In consideration of ARM performing the ARM Services for and delivering the ARM Deliverables to Customer pursuant to each Statement of Work, fees shall be due to ARM from Customer in accordance with the Fees Statement.

7.2 Unless otherwise agreed in writing by the parties Customer shall pay ARM all prior approved reasonable traveling, accommodation and subsistence expenses reasonably incurred by ARM when necessarily visiting Customer's premises or the premises of any third party in the performance of the ARM Services.

7.3 All sums stated under the Fees Statement do not include taxes. All applicable taxes shall be payable by Customer in accordance with relevant legislation in force at the relevant tax point. Any income or other tax which Customer is required by law to pay or withhold on behalf of ARM with respect to any fees payable to ARM under this Agreement may be deducted from the amount of such fees otherwise due, provided, however, that in regard to any such deduction, Customer shall give to ARM such assistance as may be necessary to enable or assist ARM to claim exemption therefore, or credit therefore, and shall upon request furnish to ARM such certificates and other evidence of deduction and payment thereof as ARM may properly require.

7.4 Customer shall pay all fees due to ARM under the terms of this Agreement within thirty (30) days of receipt of ARM's invoice therefor ("Due Date").

7.5 If any sum under this Agreement is not paid by the Due Date (as defined in Clause 7.4), then (without prejudice to ARM**'s** other rights and remedies in addition to the invoice amount) ARM reserves the right to charge interest on such sum on a day to day basis (as well after as before any judgment) from the Due Date to the date of payment at the rate of five (5%) per cent per annum above the base rate of National Westminster Bank PLC from time to time in force.

7.6 If Customer fails to pay any sum due to ARM under this Agreement in accordance with the Fees Statement and the provisions of this Clause 7, ARM shall, upon giving at least seven (7) days notice in writing to

Customer, be entitled to stop providing the ARM Services and withhold delivery of any ARM Deliverable until such payment is made. If ARM has stopped providing the ARM Services to Customer in accordance with this Clause 7.6, then ARM shall have no obligation to resume the performance of the ARM Services until Customer pays to ARM, in addition to any sums properly due but not paid, a fee equal to **[*****]** of the total fees due to ARM in accordance with the relevant Fees Schedule.

7.7 All sums properly due to ARM under this Agreement shall be paid in full and Customer shall not be entitled to assert against ARM any credit, set-off or counterclaim arising under any Project Statement in order to justify withholding payment of any sum properly due under any other Project Statement. Obligations under each Project Statement shall be construed as divisible from obligations under any other Project Statement for the purposes of interpreting this Clause 7.7.

8 Confidentiality

8.1 Subject to the provisions of Clause 8.2, the confidentiality provisions set out in the TLA shall apply (prior to the execution of the TLA as well as after) to Confidential Information disclosed between the parties under this Agreement.

8.2 ARM is hereby authorised to disclose the Customer's Confidential Information to third party subcontractors or consultants to the extent necessary for the performance by the sub-contractor or consultant (including without limitation any supplier of tools or equipment used in ARM's design flow) of any of the work under any Statement of Work that is assigned to it provided always that any such subcontractor or consultant is bound by provisions of confidentiality no less stringent than those provided by this Clause 8.

8.3 ARM shall be permitted to disclose Customer Confidential Information to Subsidiaries of ARM subject to the same terms and conditions of confidentiality as are set out in this Agreement

9. Intellectual Property Ownership and Licensing

ARM Deliverables

9.1 The ARM Deliverables shall be deemed to be derived from the ARM Technology (as defined in the TLA) under Customer's have designed rights granted in Clause 2.2 of the TLA and the terms of the TLA shall apply to such ARM Deliverables accordingly.

Customer Deliverables

9.2 Unless otherwise agreed in writing between the parties, all right, title and interest in the Customer Deliverables and any Intellectual Property embodied therein shall vest in and be owned by Customer.

9.3 Customer hereby grants to ARM, a royalty free, non-exclusive, non-transferable, worldwide, license (or sublicense as appropriate) to use, copy and modify the Customer Deliverables and sublicense the rights to use, copy and modify the Customer Deliverables solely to ARM's subcontractors and solely for the purpose of creating the ARM Deliverables pursuant to the terms of this Agreement.

9.4 Except as specifically licensed in accordance with Clause 9.3, ARM acquires no right, title or interest in the Customer Deliverables or the Intellectual Property embodied therein. In no event shall the licenses granted under Clause 9.3 of this Agreement be construed as granting to ARM, expressly or by implication, estoppel or otherwise, a license to use any Customer or third party technology other than the Customer Deliverables.

9.5 ARM shall not remove or obscure any notice incorporated into the Customer Deliverables by Customer to protect any Intellectual Property of Customer.

[*****] - Portions of this exhibit are subject to a request for confidential treatment and have been redacted and filed separately with the Securities and Exchange Commission.

10. Intellectual Property Warranties and Indemnities

10.1 Subject to the provisions of Clause 10.2, the intellectual property warranties and indemnities set out in the TLA shall apply to the ARM Deliverables.

10.2 ARM shall have no liability for any infringement arising from the use or incorporation into the ARM Deliverables, of any Customer Deliverables, if such infringement would not have occurred but for such use or incorporation.

11. Limitation of Liability

11.1 EXCEPT IN RESPECT OF ANY BREACH OF THE PROVISIONS OF CLAUSE 8 (CONFIDENTIALITY), IN NO EVENT SHALL EITHER PARTY BE LIABLE UNDER THIS AGREEMENT FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES WHETHER SUCH DAMAGES ARE ALLEGED AS A RESULT OF TORTIOUS CONDUCT OR BREACH OF CONTRACT OR OTHERWISE EVEN IF THE OTHER PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. SUCH DAMAGES SHALL INCLUDE BUT SHALL NOT BE LIMITED TO THE COST OF REMOVAL AND REINSTALLATION OF GOODS, LOSS OF GOODWILL, LOSS OF PROFITS, LOSS OR USE OF DATA, INTERRUPTION OF BUSINESS OR OTHER ECONOMIC LOSS.

11.2 **EXCEPT IN RESPECT OF ANY CLAIM UNDER THE INTELLECTUAL PROPERTY INDEMNITY FOR WHICH THE LIMITATION OF LIABILITY SET OUT IN THE TLA SHALL APPLY,** THE MAXIMUM LIABILITY OF ARM TO CUSTOMER IN AGGREGATE FOR ALL CLAIMS MADE AGAINST ARM IN CONTRACT TORT OR OTHERWISE UNDER OR IN CONNECTION WITH THE SUBJECT MATTER OF EACH PROJECT STATEMENT UNDER THIS AGREEMENT **SHALL NOT EXCEED THE TOTAL OF SUMS PAID BY CUSTOMER TO ARM IN RESPECT OF SUCH PROJECT STATEMENT.**

11.3 NOTHING IN THIS CLAUSE 11 SHALL OPERATE TO EXCLUDE LIABILITY FOR DEATH OR PERSONAL INJURY RESULTING FROM EITHER PARTY'S NEGLIGENCE.

12. Termination

12.1 **Customer** may terminate any **Active Project** upon giving at least thirty (30) days prior written notice of its intention to do so to ARM.

12.2 Without prejudice to any other right or remedy which may be available to it either party shall be entitled summarily to terminate any or all **Active Projects** by giving written notice to the other party if;

(i) the other party has committed a material breach of any of its obligations under this Agreement which is not capable of remedy;

(ii) the other party has committed a material breach of any of its obligations under this Agreement which is capable of remedy but which has not been remedied within a period of fifteen (15) working days following receipt of written notice from the party seeing remedy to do so;

(iii) the other party makes any voluntary arrangement with its creditors or becomes subject to an administration order; or

(iv) the other party has an order made against it, or passes a resolution, for its winding-up (except for the purpose of bona fide solvent amalgamation or reconstruction) or has an encumbrancer take possession or has a receiver or similar officer appointed over a material part of its property or assets.

13. Effect of Termination

13.1 Upon termination of this Agreement in respect of an Active Project, by Customer for convenience in accordance with the provisions of **Clause 12.1**, without prejudice to any other right or remedy which may be available to either party;

(i) the licences granted to Customer hereunder and related to the terminated Active Project shall cease;

(ii) the rights granted to ARM hereunder and related to the terminated Active Project shall cease;

(iii) Customer shall immediately return to ARM the ARM Deliverables and all ARM Confidential Information related to the ARM Deliverables identified in the Statement of Work for the terminated Active Project, including any copies and modified versions thereof in Customer's possession;

(iv) ARM shall immediately return to Customer or delete from ARM's system, all Customer Deliverables and Customer Confidential Information related to Customer Deliverables identified in the Statement of Work for the terminated Active Project, including any copies and modified versions thereof; and

(v) Customer shall pay, to ARM, within thirty (30) days of receipt of an invoice therefor;

(a) any sums due to ARM by Customer, but not invoiced at the date of termination, for any completed milestones as set out in the Fees Statement for the terminated Active Project;

(b) an amount representing the actual work performed, as at the date of termination, by ARM (calculated at ARM's then prevailing consulting rate) towards completion of the next open milestone as set out in the Fees Statement for the terminated Active Project; and

(c) a termination fee of five percent (5%) of the total fees (excluding any royalties) that would have been due under the Fees Statement for the terminated Active Project had it not been terminated in accordance with the provisions of Clause 12.1,

provided that the aggregate of any sums payable to ARM by Customer in accordance with the provisions of Clauses 13.1(v)(a), 13.1(v)(b) and 13.1(iv)(c) shall not exceed the fees set out in the Fees Statement for the terminated Active Project.

13.2 Upon termination of **an Active Project by Customer** under the provisions of Clause 12.2, without prejudice to any other right or remedy which may be available to either party;

(i) the licences granted to Customer hereunder and related to the terminated Active Project shall survive;

(ii) the rights granted to ARM hereunder and related to the terminated Active Project shall cease;

(iii) ARM shall immediately return to Customer or delete from ARM's system, all Customer Deliverables and Customer Confidential Information related to Customer Deliverables identified in the Statement of Work for the terminated Active Project, including any copies and modified versions thereof; and

(iv) Customer shall pay, to ARM, within thirty (30) days of receipt of an invoice therefor,

(a) any sums due to ARM by Customer, but not invoiced at the date of termination, for any completed milestones as set out in the Fees Statement for the terminated Active Project; and

(b) an amount representing the actual work performed, as at the date of termination, by ARM (calculated at ARM's then prevailing consulting rate) towards completion of the next open milestone as set out in the Fees Statement for the terminated Active Project;

provided that the aggregate of any sums payable to ARM by Customer in accordance with the provisions of Clauses 13.2(iv)(a) and 13.2(iv)(b) shall not exceed the aggregate of fees set out in the Fees Statement for the terminated Active Project.

13.3 Upon termination of **an Active Project by ARM** under the provisions of Clause 12.2, without prejudice to any other right or remedy which may be available to either party;

(i) the licences granted to Customer hereunder and related to the terminated Active Project shall cease;

(ii) the rights granted to ARM hereunder and related to the terminated Active Project shall cease;

(iii) Customer shall immediately return to ARM the ARM Deliverables and all ARM Confidential Information related to the ARM Deliverables identified in the Statement of Work for the terminated Active Project, including any copies and modified versions thereof in Customer's possession;

(iv) ARM shall immediately return to Customer or delete from ARM's system, all Customer Deliverables and Customer Confidential Information related to Customer Deliverables identified in the Statement of Work for the terminated Active Project, including any copies and modified versions thereof; and

(v) Customer shall pay, to ARM, within thirty (30) days of receipt of an invoice therefor;

(a) any sums due to ARM by Customer, but not invoiced at the date of termination, for any completed milestones as set out in the Fees Statement for the terminated Active Project; and

(b) an amount representing the actual work performed, as at the date of termination, by ARM (calculated at ARM's then prevailing consulting rate) towards completion of the next open milestone as set out in the Fees Statement for the terminated Active Project;

provided that the aggregate of any sums payable to ARM by Customer in accordance with the provisions of Clauses 13.3(v)(a) and 13.3(v)(b) shall not exceed the aggregate of fees set out in the Fees Statement for the terminated Active Project.

13.4 The provisions of Clauses 1, 7 (to the extent that any payment has accrued and is outstanding), 8, 11, 13 and 14 shall survive termination of the Agreement.

14. General

Notices All notices which are required to be given hereunder shall be in writing (which may include electronic mail) and shall be sent to the address of the recipient set out in the Agreement or such other address as the recipient may designate by notice given in accordance with the provisions of this Clause. Any such notice may be delivered personally, by commercial overnight courier or facsimile transmission which shall be followed by a hard copy and shall be deemed to have been served if by hand when delivered, if by commercial overnight courier 48 hours after deposit with such courier and if by facsimile transmission when dispatched.

Assignment Except as expressly provided elsewhere in this Agreement, neither party may assign or otherwise transfer this Agreement or any of their rights and

obligations hereunder whether in whole or in part without the prior, written, consent of the other.

Non-association ARM and Customer are independent parties. Neither party or their employees, consultants, contractors or agents, are agents, employees or joint ventures of the other party nor do they have the authority to bind the other party by contract or otherwise to any obligation. Neither party will represent to the contrary, either expressly, implicitly, by appearance or otherwise.

Waiver Failure or delay by either party to enforce any provision of this Agreement shall not be deemed a waiver of the right to enforce, in the future, that or any other provision of this Agreement.

Force Majeure ARM shall not be liable to Customer for any delay in or failure to perform its obligations as a result of any failure by a supplier to deliver a relevant deliverable to ARM on time. If such delay continues for a period of more than thirty (30) days, then either party shall be entitled to terminate this Agreement by written notice to the other party.

Neither party shall be liable for any failure or delay in its performance under this Agreement due to causes, including, but not limited to, acts of God, acts of civil or military authority, fires, epidemics, floods, earthquakes, riots, wars, sabotage, third party industrial disputes and governments actions, which are beyond its reasonable control; provided that the delayed party: (i) gives the other party written notice of such cause promptly, and in any event within fourteen (14) days of discovery thereof; and (ii) uses its reasonable efforts to correct such failure or delay in its performance. The delayed party's time for performance or cure under this Clause shall be extended for a period equal to the duration of the cause.

Severance The provisions contained in each clause and sub-clause of this Agreement shall be enforceable independently of each of the others and if any provision of this Agreement is or becomes invalid, illegal or deemed unenforceable for any reason by any court or administrative body of competent jurisdiction it shall not affect the legality, validity or enforceability of any other provisions of this Agreement. If any of these provisions is so held to be illegal, invalid or unenforceable but would be legal, valid or enforceable if some part of the provision were deleted, the provision in question will apply with such modification as may be necessary to make it legal, valid or enforceable.

Entire Agreement This Agreement, including all Project Statements, constitutes the entire agreement between the parties with respect to the subject matter hereof, and supersedes and replaces all prior or contemporaneous understandings or agreements, written or oral, regarding the subject matter. No amendment to or modification of this Agreement shall be binding unless in writing and signed by a duly Authorized representative of both parties

Export The ARM Deliverables provided under this Agreement are subject to U.S. export control laws, including the U.S. Export Administration Act and its associated regulations, and may be subject to export or import regulations in other countries. Customer agrees to comply fully with all laws and regulations of the United States and other countries **("Export Laws")** to assure that neither the ARM Deliverables, nor any direct products thereof are; (i) exported, directly or indirectly, in violation of Export Laws, either to any countries that are subject to U.S export restrictions or to any end user who has been prohibited from participating in the U.S. export transactions by any federal agency of the U.S. government; or (ii) intended to be used for any purpose prohibited by Export Laws, including, without limitation, nuclear, chemical, or biological weapons proliferation.

Any ARM Deliverables provided to the US Government pursuant to solicitations issued on or after December 1st 1995 is provided with the rights and restrictions described elsewhere herein. Any ARM Deliverables provided to the US Government pursuant to solicitations issued prior to December 1st 1995 is provided with "Restricted Rights" as provided for in FAR, 48 CFR 52.227-14 (JUNE 1987) or DFAR, 48 CFR 252.227-7013 (OCT 1988), as applicable. Customer shall be responsible for ensuring that the ARM Deliverables is marked with the "Restrictive Rights Notice" or "Restrictive Rights Legend", as required.

Incorporation Each Project Statement generated from time to time and referencing this Agreement shall be incorporated into and form part of this Agreement.

Precedence Notwithstanding anything to the contrary contained elsewhere in this Agreement, if any of the provisions contained in a Project Statement conflict or are inconsistent with any of the provisions of any of Clauses 1 to 14 of this Agreement inclusive, then to the extent that the provisions contained in such Project Statement are inconsistent with any of the provisions of any of Clauses 1 to 14 of this Agreement inclusive and solely for the purposes of interpretation of this Agreement with respect to such Project Statement, the provisions contained in such Project Statement shall prevail over and shall supersede the conflicting or inconsistent provisions in Clauses 1 to 14 of this Agreement inclusive.

Notwithstanding anything to the contrary contained elsewhere in this Agreement or any Project Statement, if any of the provisions contained in the TLA conflict or are inconsistent with any of the provisions of any of Clauses 1 to 14 of this Agreement inclusive, then to the extent that the provisions contained in the TLA are inconsistent with any of the provisions of any of Clauses 1 to 14 of this Agreement inclusive, the provisions contained in the TLA shall prevail over and shall supersede the conflicting or inconsistent provisions in Clauses 1 to 14 of this Agreement inclusive.

English Law The validity, construction and performance of this Agreement shall be governed by English Law.

IN WITNESS WHEREOF the parties have caused this Agreement to be signed by their duly authorized representative

ARM LIMITED

BY /s/Graham Budd
NAME: Graham Budd
TITLE: EVP and General Manage Processors Division

APPROVED BY ARM LEGAL
Initial NM
Date 2/14/7

CUSTOMER

BY /s/ Robert Krakauer
NAME: Robert Krakauer
TITLE: President

TRANSLATION

Basic Contract on Joint Development and Grant of License

This Basic Contract on Joint Development and Grant of License (hereinafter "Contract") is made and entered into as of November 10, 2006, by between MagnaChip Semiconductor, Ltd. (hereinafter "MC") and Silicon Works Co., Ltd. (hereinafter "SW").

Article 1 (Purpose)

The Agreement is designed to define rights and obligations of the two parties in SW's granting to MC the license to manufacture and sell the contract product as defined in Article 2 of the Contract ("Contract Product") that MC and SW co-developed by utilizing the technical information that SW had provided for the Contract Product ("Technical Information").

Article 2 (Definition)

1. "Contract Product" shall mean all products that MC and SW are currently co-developing and will co-develop in the future and all their Derivative Products, and product specifications for the Contract Product shall be specified in the Contract on Development of the Contract Product.
2. "Derivative Product" shall mean any product whose gamma is changed from the Contract Product (in case of source driver) and any product whose design is changed from the Contract Product (reinforcement and complement of its characteristics).
3. "Technical Information" shall mean any technical information, including but not limited to product specifications, test plan, assembly plan and RT plan that are required for MC to manufacture and sell the Contract Product. The Technical Information which shall be kept confidential is classified and specified as Confidential Information. The details are based on "Attachment 1."
4. "Co-development" shall mean a series of development activities for which SW takes the responsibility of design for the Contract Product, MC manufactures it, SW and MC jointly validate characteristics of the products and MC completes the development in accordance with the rule on new product introduction ("NPI," hereinafter).

Article 3 (Grant of License)

1. SW shall grant to MC the license that permits MC to manufacture and sell the Contract Product using SW's Technical Information (including license to subcontract manufacturing and re-license).
2. MC shall pay a running royalty to SW as prescribed in Article 7 of this Contract and in the Development Contract for the Contract Product in return for the grant of license as prescribed paragraph 1 of this Article.

Article 4 (Conduct development work)

1. In accordance with the Product Specification as prescribed in the Development Contract for the Contract Product, MC and SW shall conduct development work in a good faith. In case of "Derivative Product," MC and SW may determine product specification and development schedule through discussion when the development is needed.
2. When MC manufactures the Contract Product, SW shall provide needed technological support to MC based on the Technical Information prescribed in paragraph 3, Article 2 of this Contract.

TRANSLATION

3. In case the development work is hindered due to the reasons for which one of the two parties is not responsible during the development work that was being executed based on this Contract, the party shall immediately notify the other party of the disturbance and if the reason for the disturbance is not removed through mutual consultation, either of the two parties may terminate this Contract by delivering written notice to the other party without taking any responsibility for contract violation.

4. The development work stipulated in this Contract shall be deemed to be completed at the time when the Contract Product or the Derivative Product passes examination by the Quality Evaluation and Judgment Committee as stipulated in MC's NPI, and SW shall provide utmost cooperation so that the Contract Product or Derivative Product passes the examination by the Quality Evaluation and Judgment Committee.

Article 5 (Buyer of the Contract Product)

1. The Contract Product that MC manufactured or produced in accordance with license granted under Article 3 of this Contract, shall be supplied to LG.Philips LCD Co., Ltd., before any other entity in the volume that was agreed with LG.Philips LCD Co., Ltd.

2. After fulfilling the supply obligation to LG.Philips LCD Co., Ltd., stipulated in Article 1 of the Contract, MC may sell the Contract Product to a third party without any restriction, under the condition that when MC sells the Contract Product to a third party, the timing shall be six (6) months or more after LG.Philips LCD Co., Ltd. conducted the first mass production of LCD modules that have the Contract Product attached.

Article 6 (Provision of Technical Information)

1. SW shall provide Technical Information on the Contract Product as prescribed in Attachment 1 to MC under its responsibility and at its cost as per procedures and methods mutually agreed between the two parties.

2. MC may ask for additional Technical Information without charge that is required to manufacture and sell the Contract Product through consultation with SW, and SW shall respond to such request.

Article 7 (Payment of running royalty)

1. MC shall pay a running royalty which is equivalent to a certain percentage of the Net Selling Price" of the Contract Product in return for the license granted by SW based on this Contract by end of the next month of the month when the Contract Product was sold.

2. The Net Selling Price referred to in this Contract shall mean the total selling amount minus all the expenses incurred for sales of the Contract Product including, but limited to the following amount and it is set as 0.1% of the total selling price.

   Discount given in accordance with transaction discount practice

   , Price of the Contract Products that were returned due to defect

   ƒ Value-added tax imposed in relation to sale of the Contract Product

   „ Insurance and transportation charges incurred in relation to sale of the Contract Product

3. The rate of the running royalty for the Contract Product is determined based on agreement between the two parties when the Development Contract is sealed and the Development Contract, in principle, shall be signed 15 days before initiation of development of the Contract Product.

4. The rate of the running royalty, payment terms and penalty interest due to delinquencies are determined and prescribed in the Development Contract.

Article 8 (Development cost and schedule)

1. The cost for design of the Contract Product is wholly borne by SW.
2. The sample production cost for the Contract Product is wholly borne by MC under the condition that Masks consumed in this case shall be limited to 1.5 sets per product.
3. Additional Mask costs that exceed the limit of paragraph 2 of this Article shall be paid by the party that caused those costs.
4. The development schedule for the Contract Product is agreed between the two parties to meet the deadlines required by LG.Philips LCD Co., Ltd.

Article 9 (Technical Support)

1. After finishing the first manufacturing of the Contract Product using Technical Information provided by SW, MC shall provide the reliability test result for the products. If the reliability test result indicates any problem that is caused by flawed design, SW shall provide the technical support to MC to resolve the identified problem with no charge.
2. When there is any request by MC during the Contract period, SW shall provide to MC with no charge the design related technical support required for manufacturing, testing, field application engineering (FAE) and sale of the Contract Product using the Technical Information based on mutual consultation between the two parties. The detailed contents and method of technical support are determined and agreed by MC and SW based on MC's request.

Article 10 (Ownership)

1. The intellectual properties for the technical information that MC provided for the Contract Product is owned by MC and those for the technical information that SW provided for the Contract Product is owned by SW.
2. The technical information that is developed jointly by MC and SW is co-owned by MC and SW and in case the co-owned technical information violates intellectual property of a third who raises claim for that or files related lawsuits, MC and SW shall respond to the claim or the lawsuits under the joint responsibility and joint payment for the incurred costs.

Article 11 (Warranty)

1. In case MC finds any design flaw(s) after careful observation during sales or use of the Contract Product, it my take corrective measures including, but not limited to, recalls or may request that SW fix the flaw(s) including, but not limited to, design modification.
2. In case of paragraph 1, SW shall take the responsibility of fixing the flaw(s) at its expense and compensate for all the losses that may have inflicted on MC due to design flaw(s) including costs for recall and product liability to a third party.

TRANSLATION

Article 12 (Report and Investigation)

If deemed needed, SW, at its costs, may visit MC's business sites to investigate materials used to calculate the running royalty or request MC to present related materials as long as such activities do not disturb MC's usual business. But in this case, SW shall notify MC of purpose, timing, etc. of such visits 15 days in advance at the latest and MC shall provide utmost cooperation to SW's investigation. SW's visits and investigations as per this Article shall not exceed twice a year.

Article 13 (Intellectual property rights and indemnity)

In case a third party raises claim or files a lawsuit against MC or its customers for the reason that the technical information related to the Contract Product that SW has provided as per this Contract, SW shall indemnify MC or MC's customers from such claim or lawsuit under its responsibility and at its costs and at the same time, it shall compensate for the entire loss that is inflicted on MC due to such claim or lawsuit.

Article 14 (Confidentiality)

Each of the parties shall not publicize existence of the Contract, its contents, all the technical information and related technical materials that it acquired or was provided from the other party in relation to the Contract, to others than persons concerned in this Contract without written agreement of the other party for five years following termination or expiry of the Contract and it shall not use or partially use the Contract for other purposes than is prescribed in this Contract. But MC may reveal non-confidential technical information to a third party with no prior written agreement from SW only if such revelation is needed for MC to sell the Contract Product to the third party for its business purposes.

Article 15 (Contract period and termination)

1. Unless terminated per paragraph 2 and 3 of this Article, this Contract remains effective for five years after it is signed, and it is automatically renewed every year in case there is no written notice of termination of either of the two parties three months before expiry of the Contract at the latest.
2. In case either of the parties violates the Contract, the other party may demand the violating party, in written manner, to execute its obligations within 30 days at minimum and in case such obligations are not fulfilled within the time frame given, it may immediately terminate the Contract via written notice.
3. In case either of the following occurs to either of the two parties, the other party may immediately terminate the Contract via written notice.
    a. Bills or checks that are issued, guaranteed for payment or accepted by either of the two parties bounced or are suspended for trading.
    b. Forcible execution including seizure, provisional seizure and provisional disposition, is commenced to either of the two parties or their main assets
    c. Bankruptcy, liquidation, composition or company disorganization is commenced to either of the two parties.
    d. Due to any other events, usual business cannot be conducted.
4. When the Contract is terminated or expired, the license granted as per this Contract immediately loses its effect and MC shall immediately return to SW or scrap according to SW's instruction all related technical documents and other materials (including copies) held by MC or its subcontractors. But the Contract Product that is being

manufactured or kept in stock may be sold, used or disposed in accordance with terms and conditions of the Contract within one year after the termination or expiration and it may postpone return of technical document or other materials during the period.

Article 16 (Compensation for damage)

Unless otherwise prescribed in this Contract, either of the two parties shall compensate for direct and actual losses that can be inflected on the other party in relation to execution of this Contract due to the reasons that it is responsible for.

Article 17 (Force majeure)

1. Should either of the parties to this Contract fail to perform this Contract due to force majeure, such as earthquake, hurricane, flood, fire or any other unpreventable or unavoidable event, the party affected by the force majeure may be exempt from liability and shall immediately notify the other party in written form about the force majeure.
2. In case such force majeure continues for 60 days or longer, either of the two parties may immediately terminate the Contract in written form without any responsibility for the other party.

Article 18 (Restriction on assignment)

Either of the two parties shall not assign to others this Contract or its rights prescribed in this Contract or have others fulfill its obligations for it, without prior written agreement of the other party. But, if needed to manufacture or sell the Contract Product, MC may assign to others this Contract or its rights prescribed in this Contract or have others fulfill its obligations for it under prior consultation with SW.

Article 19 (Others)

1. All disputes that can happen in relation to this Contract are resolved by Seoul Central District Court which shall be the competent court.
2. The articles of the Contract including, but not limited to Article 10, 11, 13, 14, 15, 16, 18 and any other articles that shall remain effective even after the Contract expires or is terminated, if need be.
3. Deficiencies to this Contract or matters in relation to its interpretation are determined through mutual agreement and in case no agreement is established, commercial practices apply and in case no such commercial practices do not exist, related laws and regulations apply.
4. The Contract may be revised based on written agreement and sealing (signature) of the two parties.
5. The agreement reached verbally or in written form before this Contract is sealed shall lose its effect and replaced by this Contract.

Each of the two parties produces two copies of the Contract and keeps one copy each after signing it in order to prove existence and contents of the Contract.

TRANSLATION

Nov. 10, 2006

MC: Magnachip Semiconductor, Ltd.

361- 725, 1, Hyangjeong-dong, Heongdeok-gu, Cheongju-si, Korea
CEO Sang Ho Park

SW: 104-13 Munji-dong, Yuseong-gu, Daejeon-si 305-380
CEO Dae Keun Han

Attachment 1 Technical Information

1. Test Plan
2. Assembly Plan
3. R/T Plan
4. Custom Tape manufacturing information
5. Mask (FAB/Bump) manufacturing information

Master Service Agreement

This Master Service Agreement (hereinafter referred to as the "Agreement") on manufacturing and supply of goods is made and entered into by and between Sharp Corporation ("Sharp") and Hyundai Electronics Japan Co., Ltd ("Hyundai").

Article 1 (Basic Elements)

1. Sharp and Hyundai shall execute the Agreement and all other transactions (hereinafter referred to as "Individual Agreements") signed under the Agreement in good faith and sincerity, respecting mutual interest and based on mutual trust.
2. Details of the Agreement shall be applicable to all Individual Agreements signed between Sharp and Hyundai unless otherwise stipulated in the special agreement.

Article 2 (Individual Agreements)

1. Individual Agreements shall stipulate names, quantities, delivery dates, delivery places, delivery methods, unit prices or payment amount and other necessary descriptions of traded goods (hereinafter referred to as "Completed Goods").
2. Individual Agreements shall be deemed in effect in the case Sharp submits Hyundai an order form containing descriptions mentioned in the preceding paragraph, in the case Hyundai issues Sharp a confirmation of order or in the case Hyundai notifies Sharp its receipt of an order by phone or other means.
3. Notwithstanding the preceding paragraph, in the case Hyundai fails to issue a confirmation of order or take any measures upon receipt of the order form from Sharp, Hyundai shall be deemed to have accepted the Sharp's order.
4. In the case Sharp needs to change descriptions of an order form, it may do so after consulting with Hyundai.

Article 3 (Supply of Materials)

1. Sharp may supply Hyundai necessary materials, components, half-finished products, and products (hereinafter referred to as "Supplied Goods") to produce Completed Goods. In this case, Hyundai shall make use of Supplied Goods to produce Completed Goods. Supplied Goods shall be managed pursuant to this Article and Article 5.
    i. Supplied Goods are charged and their price, payment due date, payment method and other necessary details shall be separately determined by Sharp. However, in the case Sharp exceptionally acknowledges the necessity, they can be provided free of charge.
    ii. Sharp takes full ownership of Supplied Goods and Supplied Goods used in components, work in progress and Completed Goods regardless of whether or not they are paid.
    iii. For those Supplied Goods that were delivered to Hyundai directly by Sharp's appointed vendor, Hyundai shall issue a goods receipt slip immediately.

iv. Upon receipt of Supplied Goods, Hyundai shall inspect them without any delay and in the case defective goods or overage or shortage is found, such cases shall be immediately reported to Sharp. Hyundai shall compensate for all damages caused by not sending out the aforementioned notice promptly.

v. To insure Supplied Goods, Sharp may subscribe to accident insurance and relevant cost shall be borne by Hyundai. While Hyundai bears the cost, it has the right to choose an insurance company.

Article 4 (Equipment Lease)

Sharp may lease machinery, tools and mold (hereinafter referred to as “Leased Equipment”) to Hyundai if desired. Lease methods, processes, periods and expenses shall be separately determined by Sharp.

Article 5 (Managing Supplied Goods and Leased Equipment)

1. Supplied Goods and Leased Equipment shall be managed in the following manner:

i. Hyundai shall keep Supplied Goods and Leased Equipment with the care of a good manager and not use them for other than producing Completed Goods or transfer, sublease to the third party or mortgage them without an approval of Sharp.

ii. Hyundai shall clearly specify that Sharp takes full ownership of Supplied Goods and Leased Equipment all the time.

iii. In the case Supplied Goods and Leased Equipment managed by Hyundai are or may be put or under seizure, provisional attachment or sentenced to provisional injunction by the third party, Hyundai shall make a point and prove that they are the property of Sharp and immediately notify Sharp and follow its instructions.

iv. Sharp or Sharp’s agent is allowed to access Hyundai’s office and warehouse at all times to check usage, storage and maintenance of Supplied Goods and Leased Equipment or can ask Hyundai to submit the report.

v. In the case Supplied Goods and Leased Equipment are demolished, tarnished, deformed or stolen; Hyundai shall compensate the loss amount claimed by Sharp.

vi. In the case Sharp demands return of Supplied Goods and Leased Equipment or the Agreement is terminated for some reasons, Hyundai shall hand over Supplied Goods and Leased Equipment to Sharp immediately at its own expense.

vii. The blueprint, specifications and other documents borrowed by Hyundai from Sharp shall also be returned to Sharp immediately as mentioned in the preceding paragraph.

Article 6 (Delivery of Completed Goods)

1. For delivery of Completed Goods, Hyundai shall deliver Sharp ordered quantities of Completed Goods to the deliver location on the delivery date.

2. In the case where Hyundai makes delivery of Completed Goods to the delivery location earlier than the delivery date, Sharp may keep them. However, until hand-over is completed on the delivery date except for the case pursuant to Article 3-2, Hyundai

takes full ownership of Completed Goods and bears related risks such as demolishing.

3. In the case Sharp faces damages caused by delivery of Completed Goods not made in accordance with Individual Agreements, Sharp may claim for such damages against Hyundai.
4. At the time Completed Goods are delivered by Hyundai, it shall attach delivery slips specified by Sharp. In the case Hyundai fails to fulfill this requirement, Sharp may refuse to accept Completed Goods.
5. In the case Hyundai enters Sharp's premises; it shall follow Sharp's instructions.
6. In the case accidents attribute to Hyundai during delivery of Completed Goods, Hyundai shall compensate Sharp or the third party for relevant damages.
7. In the case Sharp asked for specific packaging and handling during delivery of Completed Goods, they shall be fulfilled.
8. Hyundai shall bear all expenses such as carriage charge, packing expense and insurance cost incurred until the delivery of Completed Goods.

Article 7 (Receipt and Inspection)

1. At the time of receiving Completed Goods from Hyundai, Sharp shall issue a written slip confirming goods receipt.
2. Upon receipt of goods, Sharp shall promptly inspect them. And if there are any defective goods or shortages found, such cases are reported to Hyundai. Inspection methods, pass/fail criteria and other details related to inspection shall be determined by Sharp.
3. After the inspection, only when Sharp acknowledges that goods are acceptable, hand-over of goods shall be deemed to be completed.
4. Ownership of Completed Goods shall be transferred from Hyundai to Sharp at the time delivery of Completed Goods mentioned in the preceding paragraph is finished.
5. Sharp may skip inspection of delivered Completed Goods described in the paragraph 2 depending on the situation. In such case, the delivery is deemed to be completed at the time Sharp issues a written slip confirming goods receipt.

Article 8 (Replacing Rejected Goods)

1. In the case Sharp found out defective Completed Goods are delivered or shortage detected and reported this to Hyundai regardless the inspection described in the preceding paragraph took place or not, Hyundai shall follow Sharp's given instructions whether it be delivery of replaced goods, repair of defective goods or fulfillment or shortage within the given deadline.
2. In the case Sharp did not make any demands from preceding paragraph against handling defective goods, deduction of payment shall be carried out and its details shall be separately discussed and determined between Sharp and Hyundai.
3. In the case Sharp selected acceptable goods out of the defective lot and repaired defective goods, all costs incurred shall be borne by Hyundai.

4. In the case Hyundai received a notification on defective goods and goods to be returned from Sharp, Hyundai shall bear all costs incurred to receive them immediately. Damages incurred from demolishing, tarnishing and deforming while Sharp is keeping defective goods and goods to be returned in custody shall be borne by Hyundai unless their cause attributed to Sharp.

Article 9 (Quality Control)

1. Hyundai shall carry out proper quality control and strict shipping inspection during production and delivery of Completed Goods and make sure product quality is maintained to satisfy Sharp's standards and specifications.
2. If desired, Sharp can ask Hyundai to establish proper quality control system and Hyundai shall satisfy this.

Article 10 (Warranty for Goods)

1. Unless otherwise specified separately in the Individual Agreements, Hyundai shall offer Sharp warrant of goods for one year since delivery of Completed Goods is made. In the case tarnished Completed Goods are found during the warranty period, they shall be either replaced in accordance with Sharp's instructions or repaired with relevant costs borne by Hyundai within the warranty period.
2. The warranty period described in the preceding paragraph may be extended depending on types of Completed Goods upon discussion between Sharp and Hyundai.
3. In the case Sharp faced damages occurred from tarnished Completed Goods in accordance with preceding paragraph 2, it can claim compensations for such damages against Hyundai.

Article 11 (Payment)

Sharp shall make payment to Hyundai for Completed Goods it received from Hyundai. The payment method shall be decided separately upon discussion between Sharp and Hyundai.

Article 12 (Offset)

In the case Sharp holds credit obligation against Hyundai regardless of the Agreement, such credit obligation and liabilities held against Hyundai may be set off regardless of a repayment date. In this case, Sharp shall notify Hyundai of details.

Article 13 (Bearing of Risk)

Hyundai shall be responsible for such damages as demolishing, tarnishing and deforming of Completed Goods occurred before hand-over except for those attributed to Sharp and Sharp shall be responsible for such damages as demolishing, tarnishing and deforming of Completed Goods occurred after hand-over except for those attributed to Hyundai.

Article 14 (Non-Disclosure)

1. Sharp and Hyundai shall not disclose or leak all information about the other party related to the Agreement and Individual Agreements obtained to the third party without prior approval of the other party.
2. Hyundai shall not copy or reuse blueprints, specifications and materials provided by Sharp without gaining a prior approval and also refrain from transferring, opening, leaking or using them to the third party.
3. Even after this provision and the Agreement are terminated, their effectiveness remains valid.

Article 15 (Prohibiting Entrustment of Production)

1. Except in the case where a written consent was gained from Sharp in advance, Hyundai shall not use design, technical data, blueprint and specification of Completed Goods neither for itself nor the third party.
2. Without gaining a prior consent, Hyundai shall not entrust whole or part of producing Completed Goods to the third party. Even in the case where Sharp has granted entrustment to the third party, Hyundai shall not be exempted from its duties and obligations under the Agreement and Individual Agreements.

Article 16 (Prohibiting Direct Negotiations)

Hyundai shall not carry out direct negotiations with Sharp’s vendors except in the case instructions were given by Sharp.

Article 17 (Industrial Property)

In the case a dispute arise surrounding industrial property, circuit placement right to use and copyright of Completed Goods with the third party, Hyundai shall resolve this under its responsibility and bear relevant costs except in the case the dispute attributed to Sharp. And in the case damages are caused to Sharp, such damages shall be compensated by Hyundai.

Article 18 (Public Liability)

1. Regardless of defects are found in the Completed Goods, in the case Completed Goods themselves attributed damages to lives, bodies and properties of the third party or a dispute arises with the third party, Hyundai shall resolve this under its responsibility and bear relevant costs regardless of warranty period stated in the Article 10. However, this shall not apply to the case where damages attributed to Sharp.
2. While producing the Completed Goods, Hyundai shall make sure and pay extra attention to avoid harming the surrounding and if and when damages or disputes occur from operation, Hyundai shall resolve this under its responsibility and bear relevant costs.

3. In the case damages are caused to Sharp under paragraph 2 situations, such damages shall be compensated by Hyundai.

Article 19 (Transfer of Rights and Obligations)

Sharp and Hyundai shall neither transfer whole or part of their rights and obligations generated from the Agreement or Individual Agreements to the third party nor use them as collateral unless written consents to the other party are obtained.

Article 20 (Contract Termination)

1. Sharp may terminate whole or part of the Agreement and Individual Agreements immediately without giving a separate notification to Hyundai in any one of the following cases:
   i. Infringe any provisions of the Agreement or Individual Agreements
   ii. Admit that it cannot execute the contract within contract period
   iii. Sentenced to seizure, provisional injunction, face public sale, Subject to bankruptcy, composition, liquidation, corporate rehabilitation or there are such possibilities
   iv. Sentenced business suspension and cancellation from the regulators
   v. Checks overdue, insolvency
   vi. Business are shut down, suspended or changed or business are managed by third parties or there are such possibilities
   vii. An act of breach found against Sharp
   viii. Harm public order and morality, and maintaining contract with Sharp is considered inadequate
   ix. Financial state is instable or there are such possibilities
   x. Other reasons similar to one of the above

2. In the case Hyundai is under one of the above and received a notification from Sharp, Hyundai shall settle all debts it has against Sharp immediately
3. In the case damages are caused to Sharp due to contract termination under paragraph 1, Sharp may claim compensation for damages against Hyundai
4. In the case the contract is terminated pursuant to paragraph 1 and a request was made by Sharp, Hyundai shall hand over Completed Goods (work in process included) before the delivery to Sharp. In return, Sharp shall pay Hyundai the amount of Completed Goods agreed with Hyundai.
5. In the case the contract is terminated pursuant to paragraph 1, Sharp may produce Completed Goods in needed volume itself or ask the third party for production and sell them. In this case, all industrial properties held by Hyundai are deemed to have granted to Sharp. Grant of properties shall be determined upon discussion between Sharp and Hyundai.

Article 21 (Dispute Settlement)

1. In the case disputes or differences in opinions arise under the Agreement or Individual Agreements, or items not covered under the Agreement or individual Agreements appear, they shall be resolved upon discussion between Sharp and Hyundai.
2. The lawsuits filed related to the Agreement or Individual Agreements shall be governed in the Daejeon District Court.

Article 22 (Validity Period)

The contract period of the Agreement shall be one year commencing December 27, 2000. However, if neither party expresses their position in writing two months prior to the expiration date, the Agreement is deemed to have automatically extended for one year and the same applies afterwards.

Article 23 (Supplementary Provision)

1. The previous master agreement on production and supply of Completed Goods signed between Sharp and Hyundai shall have lose its effects after the Agreement come into effect. However, ancillary contracts and memorandum that were signed between Sharp and Hyundai shall remain effective unless otherwise they are in conflict with the Agreement.
2. The Agreement shall be applicable to Individual Agreements that were signed between Sharp and Hyundai before the Agreement comes into effect.

IN WITNESS WHEREOF, Sharp and Hyundai have subscribed their names or affixed their seals and the Agreement has been executed in two (2) sets and each party shall retain a copy for their records.

December 27, 2000

SHARP:

HYUNDAI:

Exhibit 10.19

WARRANT AGREEMENT

THIS WARRANT AGREEMENT dated as of November 9, 2009 (this "***Agreement***") is by and between MAGNACHIP SEMICONDUCTOR LLC, a Delaware limited liability company (the "***Company***"), and American Stock Transfer & Trust Company, LLC, as warrant agent (in such capacity, the "***Warrant Agent***").

RECITALS:

WHEREAS, concurrently with the execution hereof, the Company is emerging from the protection of Chapter 11 of Title 11 of the United States Code pursuant to that certain Plan of Reorganization dated August 25, 2009, as the same may be modified or amended (the "***Plan***").

WHEREAS, the Company has entered into the Fourth Amended and Restated Limited Liability Company Agreement of the Company, dated November 9, 2009 (the "***LLC Agreement***").

WHEREAS, pursuant to the terms of, and subject to the conditions contained in, the Plan, the Company has agreed to issue to certain holders of subordinated note claims owed by the Company warrants (each, a "***Warrant***") entitling the holders thereof to purchase Common Units of the Company at the Exercise Price (as defined herein).

WHEREAS, the Company wishes the Warrant Agent to act on its behalf, and the Warrant Agent is willing to act on behalf of the Company, in connection with the issuance, exchange, transfer, substitution and exercise of the Warrants.

WHEREAS, the Company desires to enter into this Agreement to set forth the terms and conditions of the Warrants and the rights and obligations of the Company, the Warrant Agent and the registered holders of the Warrant Certificates evidencing Warrants (the "***Holders***").

AGREEMENT:

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein and in the Plan, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and the Warrant Agent, intending to be legally bound, hereby agree as follows:

ARTICLE I.
DEFINITIONS AND INTERPRETATION

Section 1.01 Certain Defined Terms. Capitalized terms used in this Agreement shall have the following respective meanings, except as otherwise provided herein or as the context shall otherwise require:

"***Affiliate***" means, with respect to any Person, any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with

such Person. The term "control" (including, with correlative meaning, the terms "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"***Agreement***" has the meaning specified in the introduction of this Agreement.

"***Board of Managers***" means the managers of the Company as set forth in the LLC Agreement.

"***Business Day***" means any day which is not a day on which banking institutions in New York City, New York are authorized or obligated by law or executive order to close.

"***Change of Control***" means if (i) any "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act, other than the current members of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than one-half of the then outstanding voting securities of the Company; (ii) there occurs a merger, consolidation or combination of the Company with any other entity, other than a merger, consolidation or combination which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least a majority of the combined voting power of the voting securities of the Company, such surviving entity or its parent outstanding immediately after such merger, consolidation or combination; or (iii) all or substantially all of the assets of the Company are sold to an unaffiliated third party or parties in one transaction or series of related transactions followed by the dissolution and winding up of the Company.

"***Common Unit***" means the Common Units as set forth in the LLC Agreement.

"***Commission***" means the Securities and Exchange Commission.

"***Company***" has the meaning specified in the introduction of this Agreement.

"***Current Market Value***" means, with respect to any security (including Common Units), as of a specified date (the "date of calculation"):

(i) if such security is not registered under the Exchange Act, the value of such security as determined in good faith by the Board of Managers of the Company; or

(ii) if such security is registered under the Exchange Act, the average of the daily market prices of such security for the 10 consecutive trading days ending three trading days before the earlier of the date of calculation and the day before the "ex" date with respect to the event requiring such calculation or, if such security has been registered under the Exchange Act for less than 10 consecutive trading days before such earlier date, then the average of the daily market prices for all of the trading days before such earlier date for which daily market prices are available; *provided, however*, that if the market price cannot be calculated (as provided below),

the Current Market Value of such security shall be determined as if such security were not registered under the Exchange Act.

For purposes of this Agreement, (x) the term "market price" means, with respect to any security for any trading day, (A) in the case of a security listed or admitted to trading on any national securities exchange, the closing sales price, regular way, on such day, or if no sale takes place on such day, the average of the closing bid and asked prices on such day on the principal national securities exchange on which such security is listed or admitted, (B) in the case of a security not then listed or admitted to trading on any national securities exchange, the last reported sales price on such day, or if no sale takes place on such day, the average of the closing bid and asked prices on such day, as reported by a reputable quotation source designated by the Company or (C) in the case of a security not then listed or admitted to trading on any national securities exchange and as to which no such reported sales price or bid and asked prices are available, the average of the reported high bid and low asked prices on such day, as reported by a reputable quotation service, or a newspaper of general circulation in the Borough of Manhattan, City and State of New York customarily published on each Business Day, designated by the Company, or, if there shall be no bid and asked prices on such day, the average of the high bid and low asked prices, as so reported, on the most recent day (not more than 30 days prior to the date in question) for which prices have been so reported and (y) the term "ex' date," when used with respect to any distribution, shall mean the first date on which the security trades regular way on such exchange or in such market without the right to receive such distribution.

"***Exchange Act***" means the Securities Exchange Act of 1934, as amended, or any similar Federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time. Reference to a particular section of the Securities Exchange Act of 1934, as amended, shall include reference to the comparable section, if any, of any such similar Federal statute.

"***Exercise Price***" means $1.97, subject to adjustment as provided in Section 4.01 hereof.

"***Expiration Date***" means, with respect to any Warrant, the fifth anniversary of the Original Issuance Date or, if earlier, the date of the consummation of a Change of Control.

"***Governmental Authority***" means (i) any nation or government, (ii) any federal, state, county, province, city, town, municipality, local or other political subdivision thereof or thereto, (iii) any court, tribunal, department, commission, board, bureau, instrumentality, agency, council, arbitrator or other entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and (iv) any other governmental entity, agency or authority having or exercising jurisdiction over any relevant Person, item or matter.

"***Holders***" has the meaning specified in the Recitals of this Agreement.

"***Issue Date***" has the meaning specified in Section 2.03 hereof.

"***Laws***" means all laws, statutes, rules, regulations, ordinances, orders, writs, injunctions or decrees and other pronouncements having the effect of law of any Governmental Authority.

"***Legended Warrant Certificate***" means any Warrant Certificate bearing the legend specified in Section 2.02.

"***LLC Agreement***" has the meaning specified in the Recitals of this Agreement.

"***Notice Date Press Release***" has the meaning specified in Section 2.04(d).

"***Original Issuance Date***" means November 9, 2009, the effective date of the Plan.

"***Person***" means any individual, limited liability company, company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, Governmental Authority or other entity or enterprise.

"***Plan***" has the meaning specified in the Recitals of this Agreement.

"***Securities Act***" means the Securities Act of 1933, as amended.

"***Transfer***" means any direct or indirect transfer, exchange, donation, bequest, sale, assignment, mortgage, pledge, lien, option, grant of a security interest or other encumbrance or disposition of record ownership (including, without limitation, by way of merger, operation of law, pursuant to any domestic relations or other court order, whether with or without consideration and whether voluntarily or involuntarily).

"***Transfer Notice***" means a written notice to the Board of Managers and, if there be one in office, the Secretary of the Company, at least five and not more than 20 Business Days prior to completion of a Transfer, which notice states (i) the name, address, facsimile number and e-mail address of the transferor and the transferee, (ii) the number of Warrants and underlying Common Units subject to the proposed Transfer and (iii) the proposed date of completion of the proposed Transfer.

"***Units***" means the Common Units.

"***Warrant***" has the meaning specified in the Recitals of this Agreement.

"***Warrant Agent***" has the meaning specified in the introduction of this Agreement.

"***Warrant Certificates***" has the meaning specified in Section 2.01.

Section 1.02 Interpretation. In this Agreement, unless a clear contrary intention appears:

(a) the words "hereof," "herein" and "hereunder" and words of similar import refer to this Agreement as a whole and not to any particular provision of this Agreement;

(b) reference to any gender includes each other gender and the neuter;

(c) all terms defined in the singular shall have the same meanings in the plural and vice versa;

(d) reference to any Person includes such Person's heirs, executors, personal representatives, administrators, successors and assigns; *provided*, *however*, that nothing contained in this clause (d) is intended to authorize any assignment not otherwise permitted by this Agreement;

(e) reference to a Person in a particular capacity or capacities excludes such Person in any other capacity;

(f) reference to any contract or agreement means such contract or agreement as amended, supplemented or modified from time to time in accordance with the terms thereof;

(g) all references to Articles and Sections shall be deemed to be references to the Articles and Sections of this Agreement;

(h) all references to Exhibits shall be deemed to be references to the Exhibits attached hereto which are made a part hereof and incorporated herein by reference;

(i) the word "including" (and with correlative meaning "include") means including, without limiting the generality of any description preceding such term;

(j) with respect to the determination of any period of time, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding";

(k) the captions and headings contained in this Agreement shall not be considered or given any effect in construing the provisions hereof if any question of intent should arise;

(l) reference to any Law means such Law as amended, modified, codified, reenacted, supplemented or superseded in whole or in part, and in effect from time to time;

(m) where any provision of this Agreement refers to action to be taken by any Person, which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person; and

(n) no provision of this Agreement shall be interpreted or construed against any party solely because that party or its legal representative drafted such provision.

ARTICLE II.
ORIGINAL ISSUE OF WARRANTS

Section 2.01 Form of Warrant Certificates. The Warrants shall be evidenced by certificates in registered form (the "***Warrant Certificates***"), substantially in the form attached hereto as Exhibit A, and may have such insertions, letters, numbers or other marks of

identification and such legends and endorsements stamped, printed, lithographed or engraved thereon as may, consistently herewith, be determined to be necessary or appropriate by the officers of the Company executing such Warrant Certificates as evidenced by their execution of the Warrant Certificates, or as may be required to comply with any applicable Law or with any rule or regulation of any securities exchange or to conform to usage. Each Warrant shall represent the right, subject to the provisions of this Agreement and of the Warrant Certificate, to purchase one Common Unit at the Exercise Price, subject to adjustment pursuant to the provisions of Section 4.01. The definitive Warrant Certificates shall be typed, printed, lithographed or engraved or produced by any combination of these methods or may be produced in any other manner permitted by applicable Law.

Section 2.02 Legends. Each Warrant Certificate originally issued to a Holder, or issued upon registration of transfer of, or upon exchange for or in lieu of, any Warrant Certificate shall bear the following legend:

"THIS WARRANT HAS BEEN, AND THE COMMON UNITS WHICH MAY BE PURCHASED PURSUANT TO THE EXERCISE OF THIS WARRANT (THE "WARRANT UNITS," AND TOGETHER WITH THIS WARRANT, THE "SECURITIES") WILL BE, ISSUED PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SECTION 1145 OF THE BANKRUPTCY REFORM ACT OF 1978, AS AMENDED (THE "BANKRUPTCY CODE"). THE SECURITIES MAY BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED WITHOUT REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), PROVIDED THAT THE HOLDER IS NOT DEEMED TO BE AN UNDERWRITER AS SUCH TERM IS DEFINED IN SECTION 1145(b) OF THE BANKRUPTCY CODE. IF THE HOLDER IS DEEMED TO BE AN UNDERWRITER AS SUCH TERM IS DEFINED IN SECTION 1145(b) OF THE BANKRUPTCY CODE, THEN THE SECURITIES MAY ONLY BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED UPON REGISTRATION UNDER THE SECURITIES ACT OR RECEIPT OF AN OPINION OF COUNSEL SATISFACTORY TO MAGNACHIP SEMICONDUCTOR LLC AND ITS COUNSEL THAT SUCH DISPOSITION IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF THE SECURITIES ACT AND OF ANY APPLICABLE STATE SECURITIES LAWS. THIS WARRANT MUST BE SURRENDERED TO THE COMPANY OR ITS TRANSFER AGENT AS A CONDITION PRECEDENT TO THE SALE, PLEDGE OR OTHER TRANSFER OF ANY INTEREST IN ANY OF THE WARRANT UNITS REPRESENTED BY THIS WARRANT.

THE SECURITIES REPRESENTED BY THIS WARRANT CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER, SALE, ASSIGNMENT, PLEDGE, ENCUMBRANCE OR OTHER SIMILAR TRANSFER AND VOTING RESTRICTIONS AS SET FORTH IN A LIMITED LIABILITY COMPANY OPERATING AGREEMENT AMONG THE COMPANY AND THE ORIGINAL HOLDERS OF THE SECURITIES AND A

WARRANT AGREEMENT AMONG THE COMPANY AND THE WARRANT AGENT (ON BEHALF OF THE ORIGINAL HOLDERS OF THE SECURITIES), COPIES OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE COMPANY."

Each Holder further acknowledges and agrees that the Units and any other securities issued upon exercise of the Warrant if certificated shall bear a legend substantially in the form of the legend appearing above, and any other legends required by applicable federal and state securities laws or otherwise called for by this Agreement or any other agreement between the Company and the Holder.

Section 2.03 Execution, Issuance and Delivery of Warrant Certificates.

(a) Each Warrant Certificate, whenever issued, shall be dated as of the date of countersignature thereof by the Warrant Agent (the "***Issue Date***"), either upon initial issuance or upon exchange, substitution or transfer and shall be executed on behalf of the Company by its Chairman of the Board, Chief Executive Officer, President or any Vice President, either manually or by facsimile signature printed thereon. The Warrant Certificates shall be countersigned by manual or facsimile signature of the Warrant Agent and shall not be valid for any purpose unless so countersigned. In the event that any officer of the Company whose signature shall have been placed upon any of the Warrant Certificates shall cease to be an officer of the Company before countersignature by the Warrant Agent and the issuance and delivery thereof, such Warrant Certificates may, nevertheless, be countersigned by the Warrant Agent and issued and delivered with the same force and effect as though such person had not ceased to be such officer of the Company.

(b) The Company shall instruct the Warrant Agent to countersign, issue and deliver, at the expense of the Company, Warrant Certificates evidencing Warrants to purchase an aggregate of up to 15,000,000 Common Units at the times required by, and in accordance with the terms and conditions of, the Plan. The Warrant Agent shall, and is hereby authorized to, countersign, issue and deliver Warrants as and when so instructed by the Company. In addition, the Warrant Agent is hereby authorized to countersign, issue and deliver Warrant Certificates as required by Section 2.04, Section 3.03 or ARTICLE V.

Section 2.04 Transfer and Exchange of Warrant Certificates.

(a) The Warrant Agent shall maintain books, subject to such reasonable regulations as it may prescribe, for the registration of Warrant Certificates and transfers and exchanges of Warrant Certificates as provided in this Agreement.

(b) Notwithstanding any other provisions of this Agreement, no Holder shall Transfer any such Warrants to any Person nor shall the Company effect the Transfer of any Warrants to any Person, if, at the time of such Transfer, the Company has more than 450 "holders of record" (as understood for purposes of Section 12(g) of the Exchange Act) of Common Units and/or Warrants. The limitations set forth in the immediately preceding sentence shall not prohibit: (i) a Transfer of Warrants by a Holder to another Person that, immediately prior to the Transfer, is a

holder of record of Warrants, (ii) a Transfer of Warrants by a Holder to the Company, (iii) a Transfer of Warrants by the Company to a Person that, immediately prior to the Transfer, is a holder of record of Warrants or (iv) a Transfer of all Warrants owned by the proposed transferor to a single Person who is treated as a single record holder of Warrants under the Exchange Act. Any attempted Transfer that is prohibited by this Section and not approved by the Company shall be null and void and shall not be effective to Transfer any Warrants. The Company may institute legal proceedings to force rescission of a Transfer prohibited by this Section and to seek any other remedy available to it at law, in equity or otherwise, including an injunction prohibiting any such Transfer. By acceptance of a Warrant or Common Units issued pursuant to the exercise of a Warrant, any transferee of a Warrant or the Common Units issued pursuant to the exercise of a Warrant accepts and agrees to be bound by all the terms and conditions of the Warrant and the Warrant Agreement and notwithstanding anything contained herein, the Company may require any transferee of this Warrant or the Common Units issued pursuant to the exercise of a Warrant to execute an agreement to be bound by the terms and conditions of this Warrant and the Warrant Agreement.

(c) By the fifth Business Day after the Company has 350 or more holders of record of Warrants and/or Common Units, the Company shall issue a press release stating the number of holders of record of Warrants and Common Units (the "***Notice Date Press Release***"). The Company shall notify the Warrant Agent of such issuance and provide a copy of the Notice Date Press Release to the Warrant Agent as provided in Section 9.04.

(d) A Transfer of Warrants that is completed or attempted after the Company issues a Notice Date Press Release with respect to the Warrants shall be null and void and not effective unless (i) the holder seeking to make such Transfer provides a Transfer Notice to the Company, (ii) such Transfer is approved in advance by the Company and (iii) such Transfer otherwise complies with the terms of this Agreement. No Transfer Notice is required with respect to Warrants for Transfers that occur prior to the issuance by the Company of a Notice Date Press Release.

(e) Subject to Section 2.04(b) and Section 2.04(d), a Holder may Transfer its Warrants by written application to the Warrant Agent stating the name of the proposed transferee and otherwise complying with the terms of this Agreement and all applicable Laws and provided that the Warrant Agent has not received a Notice Date Press Release. No Transfer of Warrants shall be effected until, and such transferee shall succeed to the rights of a Holder only upon, (i) delivery of written notice of the proposed Transfer to Company, (ii) compliance with the transfer provisions of this Agreement, (iii) final acceptance and registration of the Transfer by the Warrant Agent in the register in accordance with this Agreement and (iv) the delivery of an opinion of counsel, in form and substance reasonably satisfactory to the Company and its counsel, with respect to the compliance of the Transfer under applicable law, included federal and state securities law, and any other matters reasonably requested by the Company. Prior to due presentation for registration of transfer, the Company, the Warrant Agent and any agent of the Company may deem and treat the Person in whose name the Warrant Certificates are registered as the absolute owner thereof for all purposes (notwithstanding any notation of ownership or other writing thereon made by anyone), and neither the Company nor the Warrant Agent shall be affected by any notice to the contrary or be bound to recognize any equitable or

other claim to or an interest in any Warrants on the part of any other Person and shall not be liable for any registration of transfer of Warrant Certificates that are registered or to be registered in the name of a fiduciary or the nominee of a fiduciary unless made with actual knowledge that a fiduciary or nominee is committing a breach of trust in requesting such registration of transfer or with such knowledge of such facts that its participation therein amount to bad faith. When Warrant Certificates are presented to the Warrant Agent with a request to register the transfer thereof or to exchange them for an equal number of Warrant Certificates of other authorized denominations, the Warrant Agent shall register the transfer or make the exchange as requested solely in the case of any Legended Warrant Certificates if the requirements of this Agreement for such transaction are met. To permit registrations of transfers and exchanges, the Company shall execute Warrant Certificates at the Warrant Agent's request. No service charge shall be made for any registration of transfer or exchange of Warrant Certificates, but the Company or the Warrant Agent may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection with any registration of transfer of Warrant Certificates.

(f) Except as otherwise provided in this Section 2.04, all Warrant Certificates issued upon any registration of transfer or exchange of Warrants shall be the valid obligations of the Company, evidencing the same obligations, and entitled to the same benefits under this Agreement, as the Warrant Certificates surrendered for registration of transfer or exchange.

(g) The Board of Managers shall have the power to determine, in its sole and absolute discretion, all matters related to this Section, including matters necessary or desirable to administer or to determine compliance with this Section and, absent manifest error, the determinations of the Board of Managers shall be final and binding on the Company and the Holders.

Section 2.05 Surrender and Cancellation of Warrant Certificates. Any Warrant Certificate surrendered for registration of transfer, exchange or exercise of the Warrants represented thereby or pursuant to Section 6.02 shall, if surrendered to the Company, be delivered to the Warrant Agent, and all Warrant Certificates surrendered or so delivered to the Warrant Agent shall be promptly canceled by the Warrant Agent and shall not be reissued by the Company or the Warrant Agent and, except as provided in Section 2.04 (in the case of a transfer or exchange), Section 3.03 (in the case of the exercise of less than all the Warrants represented by the surrendered Warrant Certificate) or ARTICLE V (in the case of a lost, stolen, destroyed or mutilated Warrant Certificate), no Warrant Certificate shall be issued hereunder in lieu thereof. On request of the Company, the Warrant Agent, provided that any retention periods established by the Commission have expired, shall destroy canceled Warrant Certificates held by it and shall deliver its certificates of destruction to the Company. The Warrant Agent shall destroy all canceled Warrant Certificates in accordance with its normal procedures.

Section 2.06 Holdback Agreement. If requested by the lead managing underwriter, each Holder agrees not to effect any public sale or distribution of any securities of the Company (including any Warrant, any Unit issued upon the exercise of a Warrant or any securities convertible into, reclassified from or exchangeable or exercisable for such securities of the Company), including a sale pursuant to Rule 144 under the Securities Act, during a period of not more than one hundred and eighty (180) days after, an initial public offering of the Company's

securities pursuant to an effective registration statement filed by the Company under the Securities Act commencing on the effective date of the registration statement (the "***Lock-Up Period***"), unless expressly authorized to do so by the lead managing underwriter; *provided*, *however*, that if any other holder of securities of the Company shall be subject to a shorter period or receives more advantageous terms relating to the Lock-Up Period, then the Lock-Up Period shall be such shorter period and also on such more advantageous terms and notwithstanding the foregoing, the Holders shall not be required to sign lock-up agreements unless all of the Company's directors, officers and securityholders owning one percent (1%) or more of the Company's fully diluted voting stock have signed lock-up agreements with the managing underwriters. Any such lock-up agreements signed by the Holders shall contain reasonable and customary exceptions, including, without limitation, the right of a Holder to make transfers to certain Affiliates and transfers related to securities owned by Holders as a result of open market purchases made following the closing of the applicable offering. The Company shall be authorized to impose stop-transfer instructions with respect to the securities subject to the foregoing restrictions until the end of the relevant period.

ARTICLE III.
EXERCISE PRICE; EXERCISE OF WARRANTS

Section 3.01 Exercise Price. Each Warrant Certificate shall, when countersigned by the Warrant Agent, entitle the Holder thereof, subject to the provisions of this Agreement and such Warrant Certificate, to purchase one Common Unit (subject to adjustment as provided herein) for each Warrant represented thereby at the Exercise Price per Common Unit (subject to adjustment as provided herein), payable in full at the time of purchase.

Section 3.02 Exercise; Restrictions on Exercise. Each outstanding Warrant may be exercised on any Business Day which is on or after its Issue Date and on or before the Expiration Date, but only if (solely in the case of any Legended Warrant Certificate) the exercise of such Warrants is exempt from the registration requirements of the Securities Act. Any Warrants not exercised by 5:00 p.m., New York City time, on the Expiration Date (or, if applicable, immediately prior to consummation of the applicable Change of Control) shall expire and all rights thereunder and all rights in respect thereof under this Agreement shall automatically terminate at such time.

Section 3.03 Method of Exercise; Payment of Exercise Price.

(a) In order to exercise any of the Warrants, the Holder thereof must surrender the Warrant Certificate evidencing such Warrants to the Warrant Agent at its corporate trust office set forth in Section 9.04 (with (i) the Subscription Form set forth in the Warrant Certificate and (ii) the Form of Joinder set forth in the LLC Agreement completed and duly executed), together with payment in full of the Exercise Price then in effect for each Common Unit as to which a Warrant is exercised and any documentary, stamp or transfer tax, or other applicable tax or governmental charges. Payment of the Exercise Price shall be made by the Holder by check payable to the order of Warrant Agent; *provided*, *however*, that in lieu of exercising any Warrants by payment of cash, if the Company has provided notice under Section 4.04 in connection with any sale of all or substantially all of the Company's properties, assets or business or any consolidation, combination or merger of the Company with or into another

company, in each case resulting in a Change of Control in which the consideration receivable upon consummation of such Change of Control by a holder of Common Units consists of consideration that is not solely cash, the Holder may elect to exercise its Warrants conditioned upon the occurrence of such Change of Control, to be effective immediately prior to the time such Change of Control is consummated, in which event the Company shall issue (or have been deemed to issue) to the Holder upon exercise a number of Common Units immediately prior to such Change of Control, computed using the following formula:

X = Y * (A - B) / A

where:

X = the number of Common Units to be issued to the Holder;

Y = the number of Common Units with respect to which a Warrant is being exercised;

A = the Current Market Value of a Common Unit determined as of the date the Change of Control is consummated; and

B = the Exercise Price plus applicable taxes.

Upon the exercise of any Warrant, the Warrant Agent shall promptly provide written notice of such exercise to the Company, including notice of the number of Common Units to be issued upon the exercise of such Warrant, and deliver all payments received upon exercise of such Warrant to the Company in such manner as the Company shall instruct in writing.

(b) A Holder may exercise all or any number of whole Warrants represented by a Warrant Certificate. If less than all of the Warrants represented by a Warrant Certificate are exercised, such Warrant Certificate shall be surrendered and a new Warrant Certificate executed by the Company of the same tenor and for the number of Warrants which were not exercised shall be issued by the Warrant Agent. The Warrant Agent shall (i) countersign such Warrant Certificate, (ii) register such Warrant Certificate in such name or names as may be directed in writing by the Holder and (iii) deliver such Warrant Certificate to the Person or Persons entitled to receive the same.

(c) Upon the exercise of any Warrant and the surrender of the Warrant Certificate evidencing such Warrant in conformity with the foregoing provisions, the Warrant Agent shall, subject to Section 9.02, (i) transfer promptly to or upon the written order of the Holder of such Warrant Certificate, appropriate evidence of ownership of any Common Units or other securities or property (including money) to which it is entitled, registered or otherwise placed in such name or names as may be directed in writing by the Holder, and (ii) deliver such evidence of ownership and any other securities or property (including money) to the Person or Persons entitled to receive the same (together with an amount in cash in lieu of any fractional Unit as provided in Section 4.05).

(d) Upon the exercise of any Warrant, the Warrant Agent is hereby authorized and directed to notify any transfer agent of the Common Units upon the exercise of any Warrant. Upon such notification, such transfer agent (and all such transfer agents are hereby irrevocably

authorized to comply with this Section 3.03(d)) shall register on its books the necessary number of Common Units to which the Holder of such Warrant is entitled upon such exercise; *provided*, that such Holder shall have completed and duly executed the Subscription Form set forth in the Warrant Certificate and the Form of Joinder Agreement set forth in the LLC Agreement.

(e) Except for exercises in connection with and conditioned upon a Change of Control, any Warrant which is exercised hereunder shall be deemed to have been exercised immediately prior to the close of business on the date of the surrender, as provided above, of the Warrant Certificate representing such Warrant, together with payment in full of the Exercise Price and any documentary, stamp or transfer tax, or other applicable tax or governmental charges (unless settlement is on a cashless basis in connection with and conditioned upon a Change of Control), and, for purposes of this Agreement, the Person entitled to receive any Common Units or other securities or property deliverable upon such exercise shall, as between such Person and the Company, be deemed to be the Holder of such Common Units or other securities or property of record as of the close of business on such date and shall be entitled to receive, and the Company shall deliver or cause to be delivered to such Person, any money, Common Units or other securities or property to which he would have been entitled had he been a record holder on such date.

ARTICLE IV.
ADJUSTMENTS

Section 4.01 Adjustments. The number of Common Units issuable upon exercise of each Warrant shall be subject to adjustment from time to time as follows:

(a) *Upon Dividends, Subdivisions or Splits*. If, at any time after the Original Issuance Date, the number of Common Units outstanding is increased by a dividend or distribution on the outstanding Common Units payable in Common Units or by a subdivision or split-up of Common Units, other than, in any such case, upon a capital reorganization, reclassification, consolidation or merger to which Section 4.01(c) applies, then, following the record date for the determination of holders of Common Units entitled to receive such dividend, or to be affected by such subdivision or split-up, the number of Common Units purchasable on exercise of the Warrants shall be increased in proportion to such increase in outstanding Common Units. The adjustment made pursuant to this clause (a) shall become effective (x) in the case of any such dividend or distribution, immediately after the close of business on the record date for the determination of holders of Common Units entitled to receive such dividend or distribution or (y) in the case of such subdivision or split-up, at the close of business on the day upon which such corporate action becomes effective.

(b) *Upon Combinations or Reverse Splits*. If, at any time after the Original Issuance Date, the number of Common Units outstanding is decreased by a combination or reverse split of the outstanding Common Units into a smaller number of Common Units, other than, in any such case, upon a capital reorganization, reclassification, consolidation or merger to which Section 4.01(c) applies, then the number of Common Units purchasable on the exercise of each Warrant immediately prior to the date of such combination or reverse split shall be decreased in proportion to such decrease in outstanding Common Units. The adjustment made pursuant to this

clause (b) shall become effective at the close of business on the day upon which such combination or reverse split becomes effective. For purposes of Section 4.01(a) and Section 4.01(b), the number of Common Units at any time outstanding shall not include any Common Units then owned or held by or for the account of the Company.

(c) *Upon Reclassifications, Reorganizations, Consolidations or Mergers*.

(i) In the event of any capital reorganization of the Company, any reclassification of any of the Common Units, or any consolidation, combination or merger of the Company with or into another company, in each case not resulting in a Change of Control, where the Company is not the surviving company or where there is a change in or distribution with respect to the Units, each Warrant, effective at the close of business on the date such reorganization, reclassification, consolidation, or merger shall become effective, shall thereafter be exercisable for the kind and number of membership interests or other securities or property (including cash) receivable upon the consummation of such reorganization, reclassification, consolidation or merger, by a holder of the number of Common Units deliverable (immediately prior to the time of such reorganization, reclassification, consolidation or merger) upon exercise of such Warrant and, except as specified in Section 4.01(g), otherwise shall have the same terms and conditions applicable immediately prior to such time of such reorganization, reclassification, consolidation or merger. The provisions of this clause (i) shall similarly apply to successive reorganizations, reclassifications, consolidations, or mergers.

(ii) In the event of any capital reorganization of the Company, any reclassification of any of the Common Units, any sale of all or substantially all of the Company's assets or any consolidation, combination or merger of the Company with or into another company, in each case resulting in a Change of Control, and where the consideration receivable upon consummation of such Change of Control by a holder of Common Units consists solely of cash, the Company shall not effect any such reorganization, reclassification, sale of assets, consolidation or merger unless, simultaneously with the consummation thereof, the Company shall redeem the Warrants and pay to each Holder of a Warrant Certificate evidencing a number of Warrants, upon surrender thereof to the Company, an amount in cash equal to (A) the amount in cash that would be received upon such consummation by a holder of the number of Common Units deliverable (immediately prior to such consummation) upon exercise of such Warrants less (B) the aggregate Exercise Price therefor.

(d) *Deferral in Certain Circumstances*. If the Company shall take a record of the holders of its Units for the purpose of entitling them to receive a dividend or distribution, and shall thereafter, and before the distribution to such holders thereof, legally abandon its plan to pay or deliver such dividend or distribution, then thereafter no adjustment in the number of Common Units purchasable upon exercise of the Warrants granted by this Section 4.01 or in the Exercise Price then in effect shall be required by reason of the taking of such record and, as to any Warrants that remain outstanding, any adjustment previously made in respect thereof shall be rescinded and annulled. In any case in which the provisions of this ARTICLE IV shall require that an adjustment shall become effective immediately after a record date of an event, the

Company may defer, until the occurrence of such event, issuing to the holder of any Warrant exercised after such record date and before the occurrence of such event the membership interests issuable upon such exercise by reason of the adjustment required by such event and issuing to such holder only the membership interests issuable upon such exercise before giving effect to such adjustments, and paying to such holder any amount in cash in lieu of any fractional Common Units pursuant to Section 4.05; *provided, however*, that the Company shall deliver to such holder an appropriate instrument or due bill evidencing such holder's right to receive such additional Common Units and such cash on the date of the occurrence of such event.

(e) *De Minimis Adjustments*. No adjustment in the number of Common Units purchasable upon the exercise of any Warrant shall be required unless such adjustment would require an increase or decrease of at least 1% in the number of Common Units purchasable upon the exercise of such Warrant; *provided, however*, that any adjustments which are not required to be made by reason of this Section 4.01(e) shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 4.01(e) shall be made to the nearest one-thousandth of a Unit.

(f) *Determination of Current Market Value*. If at any time the Current Market Value of any security is required to be calculated pursuant to the terms of this Agreement, the determination of such Current Market Value, if calculated in accordance with the terms of this Agreement, absent manifest error, shall be conclusive and binding on all Persons.

(g) *Warrant Price Adjustment*. Whenever the number of Common Units into which a Warrant is exercisable is adjusted as provided in Sections 4.01(a), (b) or (c), the Exercise Price payable upon exercise of the Warrant shall simultaneously be adjusted by multiplying such Exercise Price immediately prior to such adjustment by a fraction, the numerator of which shall be the number of Common Units into which such Warrant was exercisable immediately prior to such adjustment, and the denominator of which shall be the number of Common Units into which such Warrant was exercisable immediately thereafter.

Section 4.02 Notice of Adjustment. Whenever the number of Common Units or other securities or property purchasable upon the exercise of each Warrant is required to be adjusted pursuant to Section 4.01, the Company shall deliver to the Warrant Agent a certificate setting forth (a) the number of Common Units or other securities or property purchasable upon the exercise of each Warrant and the Exercise Price therefor after such adjustment, (b) a brief statement of the facts requiring such adjustment and (c) the computation by which such adjustment was made. Such certificate shall be conclusive evidence of the correctness of such adjustment absent manifest error. The Warrant Agent shall not be deemed to have knowledge of such adjustment unless and until it shall have received such certificate. Upon receipt of such certificate, the Company shall cause the Warrant Agent to mail notice of the adjustment described in such certificate to each Holder at the expense of the Company. The Warrant Agent shall be entitled to rely on such certificate and shall be under no duty or responsibility with respect to any such certificate, except to exhibit the same, from time to time, to any Holder desiring to inspect such certificate during reasonable business hours. The Warrant Agent shall not at any time be under any duty or responsibility to any Holder to determine whether any facts exist which may require any adjustment of the Exercise Price or the number of Common Units or

other securities or property purchasable upon exercise of any Warrant, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed in making such adjustment, or the validity or value (or the kind or amount) of any Common Units or other securities or property that may be purchasable on exercise of any Warrant. The Warrant Agent shall not be responsible for any failure of the Company to make any cash payment or to issue, transfer or deliver any Common Units or other securities or property upon the exercise of any Warrant.

Section 4.03 Statement on Warrants. The form of Warrant Certificate need not be changed because of any adjustment made pursuant to Section 4.01, and Warrant Certificates issued after such adjustment may state the same Exercise Price and the same number and kind of Common Units as are stated in the Warrant Certificates initially issued pursuant to this Agreement. The Company may, however, at any time in its sole discretion (which shall be conclusive), make any change in the form of Warrant Certificate that it may deem appropriate to reflect any such adjustment and that does not affect the substance thereof and any Warrant Certificate thereafter issued or countersigned, whether in exchange or substitution for an outstanding Warrant Certificate or otherwise, may be in the form so changed.

Section 4.04 Notice of Consolidation, Merger or Sale of Substantially All Assets, Etc. In the event that, at any time after the date hereof and prior to 5:00 p.m., New York City time (or, if applicable, immediately prior to consummation of the applicable Change of Control), on the Expiration Date, (a) the Company shall consummate a Change of Control transaction to which it is a party or otherwise consolidate or combine with another company, merge with or into another company or sell, transfer or otherwise dispose of all or substantially all of its properties, assets or business or (b) the Company shall dissolve, liquidate or wind-up its operations, then in any one or more of such cases, the Company shall cause to be mailed to the Warrant Agent and each Holder, at the earliest practicable time (and, in any event, not less than 20 calendar days before any record date or, if no record date applies, before any date set for definitive action), notice of the date on which such Change of Control, consolidation, combination, merger, sale, dissolution, liquidation or winding up shall take place, as the case may be. Such notice shall also set forth such facts as shall indicate the effect of such action (to the extent such effect may be known at the date of such notice), if any, on the kind and amount of Common Units and other securities, money and other property deliverable upon exercise of the Warrants. Such notice shall also specify the date, if any, as of which the holders of record of Common Units or other securities or property issuable upon exercise of the Warrants shall be entitled to exchange their interests for securities, money or other property deliverable upon such consolidation, combination, merger, sale, dissolution, liquidation or winding up, as the case may be.

Section 4.05 Fractional Interests. Notwithstanding anything to the contrary contained in this Agreement, if the number of Common Units purchasable on the exercise of each Warrant is adjusted pursuant to the provisions of Section 4.01, the Company shall not be required to issue any fraction of a Common Unit upon any subsequent exercise of any Warrant. If Warrant Certificates evidencing more than one Warrant shall be surrendered for exercise at the same time by the same Holder, the number of full Common Units that shall be issuable upon such exercise thereof shall be computed on the basis of the aggregate number of Warrants evidenced by

Warrant Certificates so surrendered. If any fraction of a Common Unit would, except for the provisions of this Section 4.05, be issuable on the exercise of any Warrant (or specified portion thereof), in lieu of the issuance of such fractional Common Unit, the Company shall pay the Holder of such Warrant an amount in cash equal to the then Current Market Value per Common Unit multiplied by such fraction (computed to the nearest whole cent). The Holders, by their acceptance of the Warrant Certificates, expressly waive their right to receive any fraction of a Common Unit instead of such cash.

Section 4.06 Concerning All Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if an adjustment is made under any provision of ARTICLE IV on account of any event, transaction, circumstance, condition or happening, no additional adjustment shall be made under any other provision of ARTICLE IV on account of such event, transaction, circumstance, condition or happening. Unless otherwise expressly provided in this ARTICLE IV, all determinations and calculations required or permitted under this ARTICLE IV shall be made by the Company or its Board of Managers, as appropriate, and all such calculations and determinations shall be conclusive and binding in the absence of manifest error.

ARTICLE V.
LOSS, THEFT, DESTRUCTION OR MUTILATION OF WARRANT CERTIFICATES

Section 5.01 Lost, Theft, Destruction or Mutilation. Upon receipt by the Company and the Warrant Agent of evidence satisfactory to them of the ownership and the loss, theft, destruction or mutilation of any Warrant Certificate, and an indemnity bond in form and amount and with corporate surety satisfactory to them, and (in the case of mutilation) upon surrender and cancellation thereof, then, in the absence of notice to the Company or the Warrant Agent that the Warrants represented thereby have been acquired by a bona fide purchaser, the Company shall issue and the Warrant Agent shall countersign and deliver to the Holder of the lost, stolen, destroyed or mutilated Warrant Certificate, in exchange and substitution for or in lieu thereof, a new Warrant Certificate of the same tenor and representing an equivalent number of Warrants. Upon the issuance of any new Warrant Certificate under this ARTICLE V, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and other expenses (including the fees and expenses of the Warrant Agent) in connection therewith. Every new Warrant Certificate executed and delivered pursuant to this ARTICLE V in lieu of any lost, stolen, destroyed or mutilated Warrant Certificate shall constitute an original contractual obligation of the Company, whether or not the allegedly lost, stolen, destroyed or mutilated Warrant Certificates shall be at any time enforceable by anyone, and shall be entitled to the benefits of this Agreement equally and proportionately with any and all other Warrant Certificates duly executed and delivered hereunder. The provisions of this ARTICLE V are exclusive and shall preclude (to the extent lawful) all other rights or remedies with respect to the replacement of lost, stolen, destroyed or mutilated Warrant Certificates.

ARTICLE VI.
AUTHORIZATION AND RESERVATION OF
COMMON UNITS; PURCHASE OF WARRANTS

Section 6.01 Reservation of Authorized Common Units. The Company shall at all times reserve and keep available for issue upon the exercise of Warrants, such number of its authorized but unissued Common Units or other securities deliverable upon exercise of Warrants as will be sufficient to permit the exercise in full of all outstanding Warrants and shall take all action required to increase the authorized number of Common Units if necessary to permit the conversion of all outstanding Warrants. The Company will cause appropriate evidence of ownership of such Common Units or other securities to be delivered to the Warrant Agent upon its request for delivery upon the exercise of Warrants, and all such Common Units will, at all times, be duly approved for listing subject to official notice of issuance on each securities exchange, interdealer quotation system or market, if any, on which such Common Units is then listed. The Company covenants that all Common Units or other securities that may be issued upon the exercise of the Warrants will, upon issuance pursuant to the terms of the Warrant and the Warrant Agreement, be duly authorized, validly issued, fully paid and non-assessable (except as non-assessability may be affected by Section 18-607 or Section 18-804 of the Delaware Limited Liability Company Act), and free from preemptive rights and all taxes, liens, charges, encumbrances and security interests, other than any liens or encumbrances created by or imposed upon the Holders and provided, however, that the Warrants and the Common Units issued or issuable pursuant to exercise of the Warrants are subject to restrictions on transfer under applicable Federal and state securities laws and restrictions on transfer as set forth herein, the LLC Agreement and other agreements between a Holder and the Company in connection with Company securities held by such Holder.

Section 6.02 Purchase of Warrants by the Company. The Company shall have the right, except as limited by law or other agreement, to purchase or otherwise acquire Warrants at such times, in such manner and for such consideration as it may deem appropriate, upon mutual agreement with the Holder of such Warrant. In the event the Company shall purchase or otherwise acquire Warrants, the related Warrant Certificates shall thereupon be delivered to the Warrant Agent for cancellation; *provided, however*, that unless and until the Warrant Certificates evidencing such Warrants are surrendered by the Company to the Warrant Agent for cancellation, such purchase or acquisition shall not operate as a redemption or termination of the right represented by such Warrants. Any Warrants purchased or otherwise acquired by the Company shall not be outstanding for any purpose.

ARTICLE VII.
WARRANT HOLDERS NOT DEEMED MEMBERS

Section 7.01 Warrant Holders Not Members. Prior to the exercise of any Warrant and completion and execution of the Form of Joinder set forth in the LLC Agreement, nothing contained in this Agreement or any Warrant Certificate shall be construed as conferring on the Holder of any Warrant or Warrant Certificate any rights whatsoever as a member of the Company, either at law or in equity, including the right to vote on or to consent to any action of the members, to receive dividends or other distributions, to exercise any preemptive right or to

receive any notice of meetings of members and, except as otherwise provided in this Agreement, shall not be entitled to receive any notice of any proceedings of the Company.

ARTICLE VIII.
THE WARRANT AGENT

Section 8.01 Appointment and Acceptance of Agency. The Company hereby appoints the Warrant Agent to act as agent for the Company in accordance with the instructions set forth in this Agreement and the Warrant Agent hereby accepts the agency established by this Agreement and agrees to perform the same on the terms and conditions herein set forth.

Section 8.02 Correctness of Statements; Distribution of Warrants. The statements contained herein and in each Warrant Certificate shall be taken as statements of the Company, and the Warrant Agent assumes no responsibility for the correctness of any of the same except as describe the Warrant Agent or any action taken by it. The Warrant Agent assumes no responsibility with respect to the distribution of the Warrants except as herein otherwise provided.

Section 8.03 Use of Agents. The Warrant Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty thereunder either itself (through its employees) or by or through its attorneys or agents (which shall not include its employees) and shall not be responsible for the misconduct or negligence of any agent appointed, provided that due care had been exercised in the appointment and continued employment thereof.

Section 8.04 Proof of Actions Taken. Whenever in the performance of its duties under this Agreement, the Warrant Agent shall deem it necessary or desirable that any fact or matter be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless such evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Warrant Agent, be deemed to be conclusively proved and established by a certificate signed by the Chairman of the Board, President, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, any Vice President, the Treasurer or Secretary of the Company and delivered to the Warrant Agent; and such certificate, in the absence of bad faith on the part of the Warrant Agent, shall be full authorization to the Warrant Agent for any action taken, suffered or omitted by it under the provisions of this Agreement in reliance upon such certificate.

Section 8.05 Compensation; Indemnity. The Company agrees to pay the Warrant Agent compensation for all services rendered by the Warrant Agent in the performance of its duties under this Agreement. The Company agrees to reimburse the Warrant Agent for all expenses, taxes and governmental charges and other charges of any kind and nature incurred by the Warrant Agent (including reasonable fees and expenses of the Warrant Agent's counsel and agents) in the performance of its duties under this Agreement. The Company also agrees to indemnify the Warrant Agent for, and to hold it harmless against, any loss, liability or expenses incurred without negligence or willful misconduct on the part of the Warrant Agent, for anything done or omitted by the Warrant Agent in connection with the acceptance and administration of this Agreement, including the reasonable costs and expenses of defending against any claim of

liability in the premises. The indemnity provided for herein shall survive the expiration of the Warrants and the termination of this Agreement. The reasonable costs and expenses incurred in enforcing this right of indemnification shall be paid by the Company. Notwithstanding anything in this Agreement to the contrary, in no event shall the Warrant Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including lost profits), even if the Warrant Agent has been advised of the likelihood of such loss or damage and regardless of the form of the action.

Section 8.06 Legal Proceedings. The Warrant Agent shall be under no obligation to institute any action, suit or legal proceeding or to take any other action likely to involve expense unless the Company or one or more Holders shall furnish the Warrant Agent with reasonable security and indemnity satisfactory to the Warrant Agent for any costs and expenses which may be incurred, but this provision shall not affect the power of the Warrant Agent to take such action as the Warrant Agent may consider proper, whether with or without any such security or indemnity. All rights of action under this Agreement or under any of the Warrants may be enforced by the Warrant Agent without the possession of any of the Warrants or the production thereof at any trial or other proceeding relative thereto, and any such action, suit or proceeding instituted by the Warrant Agent shall be brought in its name as Warrant Agent, and any recovery of judgment shall be for the ratable benefit of the Holders, as their respective rights or interests may appear.

Section 8.07 Other Transactions Involving the Company. The Warrant Agent and any stockholder, director, officer or employee of the Warrant Agent may buy, sell or deal in any of the Warrants or other securities of the Company or become pecuniarily interested in any transactions in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Warrant Agent under this Agreement or such director, officer or employee. Nothing herein shall preclude the Warrant Agent from acting in any other capacity for the Company or for any other legal entity including acting as transfer agent or as a lender to the Company or an affiliate thereof.

Section 8.08 Actions as Agent. The Warrant Agent shall act hereunder solely as agent, and its duties shall be determined solely by the provisions of this Agreement. No implied duties or obligations shall be read into this Agreement against the Warrant Agent. The Warrant Agent shall not be liable for anything which it may do or refrain from doing in connection with this Agreement except for its own gross negligence or willful misconduct.

Section 8.09 Liability of Warrant Agent. The Warrant Agent may conclusively rely upon and shall be protected by the Company and shall not incur any liability or responsibility to the Company or to any Holder for or in respect of any action taken, suffered or omitted by it in reliance on any Warrant Certificate or other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, direction, statement, notice, resolution, waiver, consent, order, certificate or other paper, document or instrument reasonably believed by it to be genuine and to have been signed, executed, sent, presented and, where necessary, verified or acknowledged, by the proper party or parties.

Section 8.10 Validity of Agreement. The Warrant Agent shall not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution and delivery hereof by the Warrant Agent) or in respect of the validity or execution of any Warrant (except its counter-signature thereof); nor shall it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Warrant Certificate; nor shall the Warrant Agent by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any underlying securities (or other membership interests) to be issued pursuant to this Agreement or any Warrant, or as to whether any underlying securities (or other membership interests) will, when issued, be validly issued, fully paid and non-assessable, or as to the Exercise Price or the number or amount of underlying securities or other securities or other property issuable upon exercise of any Warrant.

Section 8.11 Acceptance of Instructions. The Warrant Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from the Chairman of the Board, President, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, any Vice President or Secretary of the Company, and to apply to such officers for advice or instructions in connection with its duties, and shall not be liable for any action taken or suffered by it in good faith in accordance with instructions of any such officer or officers or for any delay in acting while waiting for those instructions.

Section 8.12 Right to Consult and Rely Upon Counsel. Before the Warrant Agent acts or refrains from acting, it may at any time consult with legal counsel (who may be legal counsel for the Company), and the opinion or advice of such counsel shall be full and complete authorization and protection to the Warrant Agent and the Warrant Agent shall incur no liability or responsibility to the Company or to any Holder for any action taken, suffered or omitted by it in good faith in accordance with the opinion or advice of such counsel.

Section 8.13 Change of Warrant Agent.

(a) The Warrant Agent, or any successor to it hereafter appointed, may resign from its position as such and be discharged from all further duties and liabilities hereunder (except liabilities arising as a result of the Warrant Agent's own gross negligence or willful misconduct), after giving 30 days' prior written notice to the Company, upon (but only upon) a duly appointed successor Warrant Agent having been appointed and having accepted such appointment in writing. The Company may remove the Warrant Agent upon not less than 30 days' prior written notice specifying the date when such discharge shall take effect, and the Warrant Agent shall thereupon in like manner be discharged from all further duties and liabilities hereunder (except liabilities arising as a result of the Warrant Agent's own gross negligence or willful misconduct), upon (but only upon) a duly appointed successor Warrant Agent having been appointed and having accepted such appointment in writing. The Company shall cause to be mailed, at the expense of the Company, to each Holder a copy of said notice of resignation or notice of removal, as the case may be. Upon such resignation or removal the Company shall appoint in writing a successor to the Warrant Agent. If the Company shall fail to make such appointment within a period of 30 days after it has been notified in writing of such resignation by the resigning Warrant Agent or after such removal, then the existing Warrant Agent or the Holder of any Warrant may apply to any court of competent jurisdiction for the appointment of a successor

to the Warrant Agent. Pending appointment of a successor to the original Warrant Agent, either by the Company or by such a court, the duties of the Warrant Agent shall be carried out by the Company.

(b) Any successor to the Warrant Agent, whether appointed by the Company or by a court, shall be a bank (or subsidiary thereof) or trust company doing business under the laws of the United States or any state thereof, in good standing and having a combined capital and surplus of not less than $50,000,000. The combined capital and surplus of any such successor to the Warrant Agent shall be deemed to be the combined capital and surplus as set forth in the most recent annual report of its condition published by such successor to the Warrant Agent prior to its appointment; *provided* that such reports are published at least annually pursuant to law or to the requirements of a federal or state supervising or examining authority. After acceptance in writing of such appointment by the successor to the Warrant Agent, it shall be vested with the same authority, powers, rights, immunities, duties and responsibilities as its predecessor Warrant Agent, without any further assurance, conveyance, act or deed; *provided, however*, the predecessor Warrant Agent shall in all events deliver and transfer to the successor Warrant Agent all property, if any, at the time held hereunder by the predecessor Warrant Agent and if for any reason it shall be necessary or expedient to execute and deliver any further assurance, conveyance, act or deed, the same shall be done at the expense of the Company and shall be legally and validly executed and delivered by the resigning or removed Warrant Agent. As soon as practicable after such appointment, the Company shall give notice thereof to the predecessor Warrant Agent and the Holders. Failure to give any notice provided for in this Section 8.13, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Warrant Agent or the appointment of the successor Warrant Agent, as the case may be.

Section 8.14 Successor Warrant Agent. Any company into which the Warrant Agent may be merged or with which it may be consolidated, or any company resulting from any merger or consolidation to which the Warrant Agent shall be a party, shall be the successor Warrant Agent under this Agreement without any further act; *provided, however*, that such company would be eligible for appointment as a successor to the Warrant Agent under the provisions of Section 8.13 hereof. Any such successor Warrant Agent shall promptly cause notice of its succession as Warrant Agent to be mailed to the Company and the Holders.

Section 8.15 Other. No provision of this Agreement shall require the Warrant Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of its rights if there shall be reasonable grounds for believing that repayment of such funds or adequate indemnification against such risk or liability is not reasonably assured to it.

ARTICLE IX.
MISCELLANEOUS

Section 9.01 Money Deposited with the Warrant Agent. The Warrant Agent shall not be required to pay interest on any moneys deposited pursuant to the provisions of this

Agreement, except such as it shall agree in writing with the Company to pay thereon. Any moneys, securities or other property which at any time shall be deposited by the Company or on its behalf with the Warrant Agent pursuant to this Agreement shall be and are hereby assigned, transferred and set over to the Warrant Agent in trust for the purpose for which such moneys, securities or other property shall have been deposited; but such moneys, securities or other property need not be segregated from other funds, securities or other property except to the extent required by law.

Section 9.02 Payment of Taxes. All Common Units or other securities issuable upon the exercise of Warrants shall be validly issued, fully paid and non-assessable (except as non-assessability may be affected by Section 18-607 or Section 18-804 of the Delaware Limited Liability Company Act). The Company shall pay all expenses in connection with, and each Holder shall pay all taxes and other governmental charges that may be imposed with respect to the issuance or delivery of any Common Units issuable upon the exercise of the Warrants. Without limiting the foregoing, the Company shall not be required to pay any tax or other charge imposed in connection with any transfer involved in the issuance of any Common Units or other securities or property issuable upon the exercise of the Warrants in any name other than that of the holder of the Certificates evidencing such Warrants, and in such case the Warrant Agent and the Company shall not be required to issue any interests or pay any cash until such tax or other charge has been paid or it has been established to the Warrant Agent's and the Company's reasonable satisfaction that no such tax or charge is due.

Section 9.03 Merger, Consolidation or Sale of Assets of the Company. The Company will not merge into or consolidate or combine with any other Person, or sell or otherwise transfer all or substantially all of its property, assets or business to any Person (other than a merger, consolidation, combination or sale (i) contemplated by Section 4.01(c)(ii) hereof in which the consideration payable to the holders of Common Units in exchange for their Common Units consists solely of cash or (ii) that constitutes a Change of Control pursuant to which a Holder may exercise its Warrants pursuant to the cashless exercise provisions of Section 3.03), unless the Person resulting from such merger, consolidation or combination, or transferee of such property, assets or business, as the case may be, executes with the Warrant Agent a supplemental agreement providing for the express assumption by such Person of the due and punctual performance and observance of each and every covenant and condition of this Agreement to be performed and observed by the Company.

Section 9.04 Notices. Any notice, request, demand or report (each, a "***Communication***") required or permitted to be given or made by this Agreement shall be in writing. Any Communication authorized by this Agreement to be given or made by the Warrant Agent or by any Holder to or on the Company shall be sufficiently given or made if sent by registered or certified mail and shall be deemed given upon receipt, or by facsimile, addressed (until another address is filed by the Company with the Warrant Agent) as follows:

MagnaChip Semiconductor LLC
c/o MagnaChip Semiconductor Ltd.
891 Daechi-dong, Gangnam-gu
Seoul 135-738 Korea
Attn: General Counsel
Fax: 82-2-6903-3898

Any Communication authorized by this Agreement to be given or made by the Company or by any Holder to or on the Warrant Agent shall be sufficiently given or made if sent by registered or certified mail and shall be deemed given upon receipt, or by facsimile or electronic mail, addressed (until another address is filed by the Warrant Agent with the Company) as follows:

American Stock Transfer & Trust Company, LLC
59 Maiden Lane, Plaza Level
New York, New York 10038
Attn: Carlos Pinto
Fax: 718-921-8355
Email: CPinto@AMSTOCK.com

Any Communication authorized by this Agreement to be given or made by the Company or the Warrant Agent to any Holder shall be sufficiently given or made if sent by first-class mail, postage prepaid, or by facsimile or electronic mail, addressed to such Holder at the address of such Holder as shown on the registry books of the Company. The Company shall deliver a copy of any notice or demand it delivers to any Holder to the Warrant Agent and the Warrant Agent shall deliver a copy of any notice or demand it delivers to any Holder to the Company.

Section 9.05 GOVERNING LAW. THE VALIDITY, INTERPRETATION AND PERFORMANCE OF THIS AGREEMENT AND THE WARRANT CERTIFICATES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Section 9.06 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Company and the Warrant Agent and their respective successors and assigns, and the Holders from time to time of the Warrants. Nothing in this Agreement is intended or shall be construed to confer upon any Person, other than the Company, the Warrant Agent and the Holders of the Warrants, any right, remedy or claim under or by reason of this Agreement or any part hereof.

Section 9.07 Counterparts. This Agreement may be executed manually or by facsimile in any number of counterparts, each of which shall be deemed an original, but all of which together constitute one and the same instrument.

Section 9.08 Amendments.

(a) The Warrant Agent may, without the consent or concurrence of the Holders, enter into one or more supplemental agreements or amendments with the Company for the purpose of

(i) evidencing the rights of the Holders upon consolidation, merger, sale, transfer, reclassification, liquidation or dissolution under Section 4.01(c)(i), (ii) making any changes or corrections in this Agreement that are required to cure any ambiguity, to correct or supplement any provision contained herein that may be defective or inconsistent with any other provision herein or any clerical omission or mistake or manifest error herein contained, (iii) making such other provisions in regard to matters or questions arising under this Agreement as shall not adversely affect the interest of the Holders or be inconsistent with this Agreement or any supplemental agreement or amendment or (iv) adding further covenants and agreements of the Company in this Agreement or surrendering any rights or power reserved to or conferred upon the Company in this Agreement.

(b) With the consent of the Holders of Warrant Certificates evidencing at least a majority in number of the Warrants at the time outstanding, the Company and the Warrant Agent may at any time and from time to time by supplemental agreement or amendment add any provisions to or change in any manner or eliminate any of the provisions of this Agreement or of any supplemental agreement or modify in any manner the rights and obligations of the Holders and the Company. Notwithstanding anything to the contrary contained in this Agreement, no supplement agreement or amendment that changes the rights and duties of the Warrant Agent under this Agreement shall be effective against the Warrant Agent without the written consent of the Warrant Agent.

Section 9.09 Common Units. The Common Units issuable upon exercise of any Warrant are uncertificated. In the event a Holder exercises any Warrant and completes and executes the Form of Joinder set forth in the LLC Agreement, (i) such Holder shall be deemed to have (w) agreed to be bound by the terms of the LLC Agreement, (x) represented that it has the capacity, power and authority to enter into the LLC Agreement, and (y) made the consents and waivers required of members of the Company contained in the LLC Agreement; (ii) the Company shall admit such Holder as a member of the Company with respect to the Common Units acquired upon exercise and (iii) the Company shall record such admission on its books.

Section 9.10 Third Party Beneficiaries. The Holders shall be third party beneficiaries to the agreements made hereunder between the Company, on the one hand, and the Warrant Agent, on the other hand. All rights of action in respect of this Agreement are vested in the respective Holders of the Warrant Certificates; *provided, however*, that no Holder of any Warrant Certificate shall have the right to enforce, institute or maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, the Warrants evidenced by such Warrant Certificate, unless (i) such Holder shall have previously given written notice to the Company of the substance of such dispute, and Holders of at least 25% of the then outstanding Warrants shall have given written notice to the Company of their support for the institution of such proceeding to resolve such dispute, (ii) written notice of the substance of such dispute and of the support for the institution of such proceeding by such Holders shall have been provided by the Company to the Warrant Agent and (iii) the Warrant Agent shall not have instituted appropriate proceedings with respect to such dispute within 30 days following the date of such written notice to the Warrant Agent, it being understood and intended that no one or more Holders of Warrant Certificates shall have the right in any manner whatever by virtue of, or by availing of, any provision of this Agreement to affect, disturb or prejudice the rights of any other

Holders of Warrant Certificates, or to obtain or to seek to obtain priority in preference over any other Holders or to enforce any right under this Agreement, except in the manner herein provided for the equal and ratable benefit of all Holders of Warrant Certificates. Except as provided in this Section 9.10, no Holder of a Warrant Certificate shall have the right to enforce, institute or maintain any suit, action or proceeding to enforce, or otherwise act in respect of, the Warrants.

Section 9.11 Waivers. The Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if (i) the Company has obtained the written consent of Holders of Warrant Certificates evidencing a majority of the then outstanding Warrants and (ii) any consent required pursuant to Section 9.08 has been obtained.

Section 9.12 Inspection. The Warrant Agent shall cause a copy of this Agreement to be available at all reasonable times at the office of the Warrant Agent for inspection by the Holder of any Warrant Certificate. The Warrant Agent may require such Holder to submit his Warrant Certificate for inspection by it.

Section 9.13 Headings. The descriptive headings of the several Sections of this Agreement are inserted for convenience and shall not control or affect the meaning or construction of any of the provisions hereof.

Section 9.14 Entire Agreement. This Agreement sets forth the entire agreement of the parties hereto as to the subject matter hereof and supersedes all previous, agreements among all or some of the parties hereto with respect thereto, whether written, oral or otherwise.

[SIGNATURE PAGE FOLLOWS.]

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed, as of the day and year first above written.

MAGNACHIP SEMICONDUCTOR LLC

By: _____
Name:
Title:

AMERICAN STOCK TRANSFER & TRUST COMPANY, LLC

By: _____
Name:
Title:

EXHIBIT A
FORM OF WARRANT CERTIFICATE

MAGNACHIP SEMICONDUCTOR LLC

No._____

[_____] Warrants

WARRANTS TO PURCHASE COMMON UNITS

THIS WARRANT HAS BEEN, AND THE COMMON UNITS WHICH MAY BE PURCHASED PURSUANT TO THE EXERCISE OF THIS WARRANT (THE "WARRANT UNITS," AND TOGETHER WITH THIS WARRANT, THE "SECURITIES") WILL BE, ISSUED PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SECTION 1145 OF THE BANKRUPTCY REFORM ACT OF 1978, AS AMENDED (THE "BANKRUPTCY CODE"). THE SECURITIES MAY BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED WITHOUT REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), PROVIDED THAT THE HOLDER IS NOT DEEMED TO BE AN UNDERWRITER AS SUCH TERM IS DEFINED IN SECTION 1145(b) OF THE BANKRUPTCY CODE. IF THE HOLDER IS DEEMED TO BE AN UNDERWRITER AS SUCH TERM IS DEFINED IN SECTION 1145(b) OF THE BANKRUPTCY CODE, THEN THE SECURITIES MAY ONLY BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED UPON REGISTRATION UNDER THE SECURITIES ACT OR RECEIPT OF AN OPINION OF COUNSEL SATISFACTORY TO MAGNACHIP SEMICONDUCTOR LLC AND ITS COUNSEL THAT SUCH DISPOSITION IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF THE SECURITIES ACT AND OF ANY APPLICABLE STATE SECURITIES LAWS. THIS WARRANT MUST BE SURRENDERED TO THE COMPANY OR ITS TRANSFER AGENT AS A CONDITION PRECEDENT TO THE SALE, PLEDGE OR OTHER TRANSFER OF ANY INTEREST IN ANY OF THE WARRANT UNITS REPRESENTED BY THIS WARRANT.

THE SECURITIES REPRESENTED BY THIS WARRANT CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER, SALE, ASSIGNMENT, PLEDGE, ENCUMBRANCE OR OTHER SIMILAR TRANSFER AND VOTING RESTRICTIONS AS SET FORTH IN A LIMITED LIABILITY COMPANY OPERATING AGREEMENT AMONG THE COMPANY AND THE ORIGINAL HOLDERS OF THE SECURITIES AND A WARRANT AGREEMENT AMONG THE COMPANY AND THE WARRANT AGENT (ON BEHALF OF THE ORIGINAL HOLDERS OF THE SECURITIES), COPIES OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE COMPANY.

This certifies that _____, or its registered assigns, is the owner of the number of Warrants set forth above, each of which represents the right to purchase, commencing November 9, 2009, from MAGNACHIP SEMICONDUCTOR LLC, a Delaware limited liability company (the "***Company***"), one Common Unit (the "***Common Unit***") of the Company (subject to adjustment as provided in the Warrant Agreement hereinafter referred to) at the purchase price (the "***Exercise Price***") of $1.97 per Common Unit (subject to adjustment as provided in the Warrant Agreement), upon surrender hereof at the office of American Stock Transfer & Trust Company, LLC or to its successor as the warrant agent under the Warrant Agreement (any such warrant agent being herein called the "***Warrant Agent***"), with the Subscription Form on the reverse hereof completed and duly executed, with signature guaranteed as therein specified and simultaneous payment in full by check payable to the order of Warrant Agent of the purchase price for the Common Units as to which the Warrant(s) represented by this Warrant Certificate are exercised, all subject to the terms and conditions hereof and of the Warrant Agreement. This Warrant Certificate may be exercised as to all or any whole number of the Warrants evidenced hereby.

This Warrant Certificate is issued under and in accordance with a Warrant Agreement dated as of November 9, 2009 (the "***Warrant Agreement***") by and between the Company and American Stock Transfer & Trust Company, LLC, as Warrant Agent, and is subject to the terms and provisions contained therein, all of which terms and provisions the Holder of this Warrant Certificate consents to by acceptance hereof. The Warrant Agreement is hereby incorporated herein by reference and made a part hereof. Reference is hereby made to the Warrant Agreement for a full description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Company and the Holders of the Warrants. The summary of the terms of the Warrant Agreement contained in this Warrant Certificate is qualified in its entirety by express reference to the Warrant Agreement. All capitalized terms used in this Warrant Certificate that are defined in the Warrant Agreement shall have the meanings assigned to them in the Warrant Agreement.

Copies of the Warrant Agreement are on file at the office of the Warrant Agent and may be obtained by writing to the Warrant Agent at the following address:

American Stock Transfer & Trust Company, LLC
59 Maiden Lane, Plaza Level
New York, New York 10038
Attn: Carlos Pinto
Fax: 718-921-8355
Email: CPinto@AMSTOCK.com

The number of Common Units purchasable upon the exercise of each Warrant is subject to adjustment as provided in the Warrant Agreement. In the event of any capital reorganization or reclassification of any of the Common Units or any consolidation, combination or merger of the Company with or into another company (where the Company is not the surviving company or where there is a change in or distribution with respect to the Units), except in the case of a merger, consolidation or combination constituting a change of control in the Company, each Warrant will, upon exercise, entitle the Holder thereof to receive the number of Common Units

or other securities or the amount of money and other property which the holder of a Common Unit is entitled to receive upon completion of such reorganization, recapitalization, merger, consolidation or combination.

As to any final fraction of a Common Unit which the same Holder of one or more Warrants would otherwise be entitled to purchase upon exercise thereof in the same transaction, the Company shall pay the cash value thereof determined as provided in the Warrant Agreement.

All Common Units or other securities issuable upon the exercise of Warrants shall be validly issued, fully-paid and non-assessable (except as non-assessability may be affected by Section 18-607 or Section 18-804 of the Delaware Limited Liability Company Act), and the Company shall pay all expenses in connection with, and the holder shall pay all taxes and other governmental charges that may be imposed with respect to the issuance or delivery of any Common Unit issuable upon the exercise of the Warrants. Without limiting the foregoing, the Company shall not be required to pay any tax or other charge imposed in connection with any transfer involved in the issue of any Common Units or other securities or property issuable upon the exercise of the Warrants in any name other than that of the holder of the Warrant Certificates evidencing such Warrants, and in such case the Warrant Agent and the Company shall not be required to issue or deliver any interests or other property until such tax or other charge has been paid or it has been established to the Warrant Agent's and the Company's reasonable satisfaction that no tax or other charge is due.

Provided the Company has not issued a Notice Date Press Release suspending the transfer of Warrants, this Warrant Certificate and all rights hereunder are transferable by the registered Holder hereof, in any whole number of Warrants, in accordance with the provisions of the Warrant Agreement, on the register maintained by the Warrant Agent for such purpose at its office at the address referenced above, upon surrender of this Warrant Certificate duly endorsed, or accompanied by a written instrument of transfer form satisfactory to the Company and the Warrant Agent completed and duly executed, with signatures guaranteed as specified in the attached Form of Assignment, by the registered Holder hereof or his attorney duly authorized in writing and upon payment of any necessary transfer tax or other governmental charge imposed upon such transfer. Upon any partial transfer, the Warrant Agent will issue and deliver to such Holder a new Warrant Certificate with respect to any portion not so transferred. Each taker and Holder of this Warrant Certificate, by taking and holding the same, consents and agrees that prior to the registration of transfer as provided in the Warrant Agreement, the Company and the Warrant Agent may treat the Person in whose name the Warrants are registered as the absolute owner hereof for any purpose and as the Person entitled to exercise the rights represented hereby, any notice to the contrary notwithstanding. Each taker and Holder of a Warrant and each taker and holder of Common Units issued pursuant to a Warrant agrees to be bound by the terms and conditions of this Warrant and the Warrant Agreement.

This Warrant Certificate may be exchanged, in accordance with the terms of the Warrant Agreement, at the office of the Warrant Agent maintained for such purpose, for Warrant Certificates representing the same aggregate number of Warrants, each new Warrant Certificate to represent such number of Warrants as the Holder hereof shall designate at the time of such exchange.

Prior to the exercise of the Warrants represented hereby, the Holder of this Warrant Certificate, as such, shall not be entitled to any rights of a member of the Company, including, without limitation, the right to vote or to consent to any action of the members, to receive dividends or other distributions, to exercise any preemptive right or to receive any notice of meetings of Unit holders, and shall not be entitled to receive any notice of any proceedings of the Company except as provided in the Warrant Agreement. In the event a Holder exercises any Warrant and completes and duly executes the attached Subscription Form and the Form of Joinder attached to the LLC Agreement, such Holder shall have agreed to be bound by the terms of the Fourth Amended and Restated Limited Liability Company Agreement of the Company, dated November 9, 2009, as it may be amended or modified from time to time, the Company shall admit such Holder as a member of the Company and the Company shall record such admission on its books.

This Warrant Certificate shall be void and all rights evidenced hereby shall cease on the Expiration Date.

This Warrant Certificate shall not be valid for any purpose until it shall have been countersigned by the Warrant Agent.

MAGNACHIP SEMICONDUCTOR LLC

By: _____
Name:
Title:

Dated: _____

Countersigned:

AMERICAN STOCK TRANSFER & TRUST COMPANY, LLC

By: _____
Name:
Title:

Dated:

FORM OF REVERSE OF WARRANT CERTIFICATE
SUBSCRIPTION FORM
(to be executed only upon exercise of Warrants)

To:_____

The undersigned hereby irrevocably exercises ___of the Warrants represented by the Warrant Certificate for the purchase of ___Common Units (subject to adjustment) of MAGNACHIP SEMICONDUCTOR LLC, a Delaware limited liability company (the "***Company***"), for each Warrant exercised, and herewith (check one, if election is available; otherwise complete first line below):

o makes payment of $___(such payment being by check payable to the order of Warrant Agent equal to the Exercise Price of the Warrants being exercised); or

o elects to make payment by cashless exercise, contingent upon and effective immediately prior to the consummation of the Change of Control (as defined in the Warrant Agreement) referred to in the Company's notice, dated ___, 20___given pursuant to Section 4.04 of the Warrant Agreement,

all at the exercise price and on the terms and conditions specified in the Warrant Certificate and the Warrant Agreement therein referred to, and hereby surrenders this Warrant Certificate and all right, title and interest therein to and directs that the Common Units due upon the exercise of such Warrants be registered or placed in the name and the address specified below.

_____
Dated

_____
(Signature of Owner)

_____
(Street Address)

_____
(City) (State) (Zip Code)

_____
Signature Guaranteed By[1]

[1] The Holder's signature must be guaranteed by a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States or an "eligible guarantor institution" as defined by Rule 17Ad-15 under the Exchange Act.

Securities and/or check to be issued to:_____

Please insert social security or identifying number: _____

_____
Name

_____
Street Address

_____
City, State and Zip Code

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned registered holder of the Warrant Certificate hereby sells, assigns and transfers unto the Assignee(s) named below (including the undersigned with respect to any Warrants constituting a part of the Warrants evidenced by the within Warrant Certificate not being assigned hereby) all of the rights of the undersigned under the Warrant Certificate, with respect to the whole number of Warrants set forth below:

_____
Name(s) of Assignee(s):

_____
Address:

_____
No. of Warrants:

Please insert social security or other identifying number of assignee(s):

_____

and does hereby irrevocably constitute and appoint _____ the undersigned's attorney to make such transfer on the books of _____ maintained for such purposes, with full power of substitution in the premises.

_____
Dated

_____
(Signature of Owner)

_____
(Street Address)

_____
(City) (State) (Zip Code)

_____
Signature Guaranteed By[1]

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1 The Holder's signature must be guaranteed by a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States or an "eligible guarantor institution" as defined by Rule 17Ad-15 under the Exchange Act.

MAGNACHIP SEMICONDUCTOR LLC
2009 COMMON UNIT PLAN

1. **ESTABLISHMENT, PURPOSE AND TERM OF PLAN.**

1.1 **Establishment**. The MagnaChip Semiconductor LLC 2009 Common Unit Plan (the *"**Plan**"*) is hereby established effective as of December 8, 2009 (the *"**Effective Date**"*).

1.2 **Purpose.** The purpose of the Plan is to advance the interests of the Participating Company Group and its members by providing an incentive to attract, retain and reward persons performing services for the Participating Company Group and by motivating such persons to contribute to the growth and profitability of the Participating Company Group. The Company intends that Awards granted pursuant to the Plan be exempt from or comply with Section 409A of the Code (including any amendments or replacements of such section), and the Plan shall be so construed.

1.3 **Term of Plan.** The Plan shall continue in effect until its termination by the Board; provided, however, that all Awards shall be granted, if at all, within ten (10) years from the earlier of the date the Plan is adopted by the Board or the date the Plan is duly approved by the members of the Company.

2. **DEFINITIONS AND CONSTRUCTION.**

2.1 **Definitions.** Whenever used herein, the following terms shall have their respective meanings set forth below:

(a) *"**Affiliate**"* means (i) a parent entity that controls the Company, directly or indirectly, through one or more intermediary entities, or (ii) a majority-owned subsidiary entity that is controlled by the Company, directly or indirectly, through one or more intermediary entities. For this purpose, the terms "parent," "majority-owned subsidiary," "control" and "controlled by" shall have the meanings assigned such terms for the purposes of Rule 701 under the Securities Act.

(b) *"**Award**"* means an Option, Restricted Unit Purchase Right, Restricted Unit Bonus or Deferred Unit granted under the Plan.

(c) *"**Award Agreement**"* means a written or electronic agreement between the Company and a Participant setting forth the terms, conditions and restrictions of the Award granted to the Participant.

(d) *"**Board**"* means the Board of Managers of the Company. If one or more Committees have been appointed by the Board to administer the Plan, *"**Board**"* also means such Committee(s).

(e) *"**Cause**"* means, unless such term or an equivalent term is otherwise defined by the Participant's Award Agreement or written contract of employment or service, any of the following: (i) the Participant's failure to substantially perform the Participant's customary duties with a Participating Company in the ordinary course (other than such failure resulting from the Participant's incapacity due to physical or mental illness)

that, if susceptible to cure, has not been cured as determined by the Participating Company within 30 days after a written demand for substantial performance is delivered to the Participant by the Participating Company, which demand specifically identifies the manner in which the Participating Company believes that the Participant has not substantially performed the Participant's duties; (ii) the Participant's gross negligence, intentional misconduct or fraud in the performance of his or her Service; (iii) the Participant's indictment (or equivalent) for a felony or to a crime involving fraud or dishonesty; (iv) a judicial determination that the Participant committed fraud or dishonesty against any natural person, firm, partnership, limited liability company, association, corporation, company, trust, business trust, governmental authority or other entity; (v) the Participant's material violation of one or more of the Participating Company Group's policies applicable to the Participant's Service as may be in effect from time to time; or (vi) the Participant's conduct that brings or could reasonably be expected to bring the Participating Company Group or the Affiliates thereof (including, without limitation, Avenue Capital Group) into public disgrace or disrepute and that has a material adverse effect on the business of the Participating Company Group or such Affiliates.

(f) "***Change in Control***" means, unless such term or an equivalent term is otherwise defined by the Participant's Award Agreement, the occurrence of any of the following:

(i) an Ownership Change Event or a series of related Ownership Change Events (collectively, a "***Transaction***") in which the members of the Company immediately before the Transaction do not retain immediately after the Transaction direct or indirect beneficial ownership of more than fifty percent (50%) of the total combined voting power of the outstanding securities entitled to vote generally in the election of Managers or, in the case of an Ownership Change Event described in Section 2.1(u)(iii), the entity to which the assets of the Company were transferred (the "***Transferee***"), as the case may be; or

(ii) approval by the members of a plan of complete liquidation or dissolution of the Company.

For purposes of the preceding sentence, indirect beneficial ownership shall include, without limitation, an interest resulting from ownership of the voting securities of one or more corporations or other business entities which own the Company or the Transferee, as the case may be, either directly or through one or more subsidiary corporations or other business entities. The Board shall have the right to determine whether multiple sales or exchanges of the voting securities of the Company or multiple Ownership Change Events are related, and its determination shall be final, binding and conclusive. For purposes of clarification, a Change in Control shall not include (1) the acquisition of voting securities directly from the Company, including pursuant to or in connection with a public offering of such securities, or (2) an acquisition of additional voting securities of the Company by a person (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) who on the Effective Date is the beneficial owner (as such term is defined in Rule 13d-3 under the Exchange Act) of more than fifty percent (50%) of such voting securities.

(g) "***Code***" means the Internal Revenue Code of 1986, as amended, and any applicable regulations and administrative guidelines promulgated thereunder.

(h) "***Committee***" means the compensation committee or other committee or subcommittee of the Board duly appointed to administer the Plan and having such powers as shall be specified by the Board. Unless the powers of the Committee have been specifically limited, the Committee shall have all of the powers of the Board granted herein, including, without limitation, the power to amend or terminate the Plan at any time, subject to the terms of the Plan and any applicable limitations imposed by law.

(i) "***Company***" means MagnaChip Semiconductor LLC, a Delaware limited liability company, or any successor thereto.

(j) "***Consultant***" means a person engaged to provide consulting or advisory services (other than as an Employee or a Manager) to a Participating Company, provided that the identity of such person, the nature of such services or the entity to which such services are provided would not preclude the Company from offering or selling securities to such person pursuant to the Plan in reliance on either the exemption from registration provided by Rule 701 under the Securities Act.

(k) "***Deferred Unit***" means a right granted to a Participant pursuant to Section 8 to receive a Unit on a deferred basis on a date determined in accordance with the provisions of such Section and the Participant's Award Agreement.

(l) "***Disability***" means the inability of the Participant, in the opinion of a qualified physician acceptable to the Company, to perform the major duties of the Participant's position with the Participating Company Group because of the sickness or injury of the Participant.

(m) "***Dividend Equivalent Right***" means the right of a Participant, granted at the discretion of the Board or as otherwise provided by the Plan, to receive a credit for the account of such Participant in an amount equal to the cash dividends paid on one Unit for each Unit represented by an Award held by such Participant.

(n) "***Employee***" means any person treated as an employee (including an Officer or a Manager who is also treated as an employee) in the records of a Participating Company; provided, however, that neither service as a Manager nor payment of a Manager's fee shall be sufficient to constitute employment for purposes of the Plan. The Company shall determine in good faith and in the exercise of its discretion whether an individual has become or has ceased to be an Employee and the effective date of such individual's employment or termination of employment, as the case may be. For purposes of an individual's rights, if any, under the terms of the Plan as of the time of the Company's determination of whether or not the individual is an Employee, all such determinations by the Company shall be final, binding and conclusive as to such rights, if any, notwithstanding that the Company or any court of law or governmental agency subsequently makes a contrary determination as to such individual's status as an Employee.

(o) "***Exchange Act***" means the Securities Exchange Act of 1934, as amended.

(p) "***Fair Market Value***" means, as of any date:

(i) the value of a Unit or other property as determined by the Board in good faith without regard to any restriction other than a restriction which, by its

terms, will never lapse, and in a manner consistent with the requirements of Section 409A of the Code; or

(ii) except as otherwise determined by the Board or as otherwise permitted or required by Section 409A of the Code, if, on such date, the Units or equity securities into which Units have been converted (in either case, "***Shares***") are listed or quoted on a national or regional securities exchange or quotation system, the Fair Market Value of a Share shall be the closing price of a Share as quoted on the national or regional securities exchange or quotation system constituting the primary market for the Shares, as reported in *The Wall Street Journal* or such other source as the Company deems reliable; provided that if the relevant date does not fall on a day on which the Shares have traded on such securities exchange or quotation system, the date on which the Fair Market Value shall be established shall be the last day on which the Shares were so traded or quoted prior to the relevant date, or such other appropriate day as shall be determined by the Board, in its discretion.

(q) "***Manager***" means a member of the Board.

(r) "***Officer***" means any person designated by the Board as an officer of the Company.

(s) "***Operating Agreement***" means the Fourth Amended and Restated Limited Liability Company Operating Agreement of MagnaChip Semiconductor LLC, dated as of November 9, 2009, as the same may be amended from time to time.

(t) "***Option***" means a right to purchase Units granted to a Participant pursuant to Section 6.

(u) "***Ownership Change Event***" means the occurrence of any of the following with respect to the Company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the members of the Company of more than fifty percent (50%) of the voting securities of the Company; (ii) a merger or consolidation in which the Company is a party; or (iii) the sale, exchange, or transfer of all or substantially all of the assets of the Company (other than a sale, exchange or transfer to one or more Affiliates of the Company).

(v) "***Participant***" means any eligible person who has been granted one or more Awards.

(w) "***Participating Company***" means the Company or any Affiliate.

(x) "***Participating Company Group***" means, at any point in time, all entities collectively which are then Participating Companies.

(y) "***Restricted Unit Award***" means an Award of a Restricted Unit Bonus or a Restricted Unit Purchase Right.

(z) "***Restricted Unit Bonus***" means Units granted to a Participant pursuant to Section 7.

(aa) "***Restricted Unit Purchase Right***" means a right to purchase Units granted to a Participant pursuant to Section 7.

(bb) "***Securities Act***" means the Securities Act of 1933, as amended.

(cc) "***Service***" means a Participant's employment or service with the Participating Company Group, whether in the capacity of an Employee, a Manager or a Consultant. Unless otherwise provided by the Board, a Participant's Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders such Service or a change in the Participating Company for which the Participant renders such Service, provided that there is no interruption or termination of the Participant's Service. Furthermore, a Participant's Service shall not be deemed to have terminated if the Participant takes any military leave, sick leave, or other bona fide leave of absence approved by the Company. However, unless otherwise provided by the Board, if any such leave taken by a Participant exceeds ninety (90) days, then on the ninety-first (91st) day following the commencement of such leave the Participant's Service shall be deemed to have terminated, unless the Participant's right to return to Service is guaranteed by statute or contract. Notwithstanding the foregoing, unless otherwise designated by the Company or required by law, an unpaid leave of absence shall not be treated as Service for purposes of determining vesting under the Participant's Award Agreement. Except as otherwise provided by the Board, in its discretion, the Participant's Service shall be deemed to have terminated either upon an actual termination of Service or upon the business entity for which the Participant performs Service ceasing to be a Participating Company. Subject to the foregoing, the Company, in its discretion, shall determine whether the Participant's Service has terminated and the effective date of and reason for such termination.

(dd) "***Unit***" means a Common Unit of the Company, as described in the Operating Agreement and as adjusted from time to time in accordance with Section 4.3.

(ee) "***Vesting Conditions***" mean those conditions established in accordance with the Plan prior to the satisfaction of which an Award or Units subject to an Award remain subject to forfeiture or a repurchase option in favor of the Company exercisable for the Participant's monetary purchase price, if any, for such Units upon the Participant's termination of Service.

2.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

3. **ADMINISTRATION.**

3.1 **Administration by the Board.** The Plan shall be administered by the Board. All questions of interpretation of the Plan, of any Award Agreement or of any other form of agreement or other document employed by the Board or the Company in the administration of the Plan or of any Award shall be determined by the Board, and such determinations shall be final, binding and conclusive upon all persons having an interest in the Plan or such Award, unless fraudulent or made in bad faith. Any and all actions, decisions and determinations taken or made by the Board in the exercise of its discretion

pursuant to the Plan or Award Agreement or other agreement thereunder (other than determining questions of interpretation pursuant to the preceding sentence) shall be final, binding and conclusive upon all persons having an interest therein.

3.2 **Authority of Officers.** Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election which is the responsibility of or which is allocated to the Company herein, provided the Officer has actual authority with respect to such matter, right, obligation, determination or election. The Board may, in its discretion, delegate to the Chief Executive Officer of the Company the authority to grant one or more Options, without further approval of the Board, to any Employee, including any Officer other than the Chief Executive Officer; provided, however, that (a) the exercise price per Unit of each such Option shall be not less than the Fair Market Value per Unit as most recently determined by the Board and as determined for purposes of Section 409A of the Code, (b) each such Option shall be subject to the terms and conditions of the appropriate standard form of Option Agreement approved by the Board and shall conform to the provisions of the Plan, and (c) each such Option shall conform to guidelines as shall be established from time to time by the Board.

3.3 **Powers of the Board.** In addition to any other powers set forth in the Plan and subject to the provisions of the Plan and the Operating Agreement, the Board shall have the full and final power and authority, in its discretion:

(a) to determine the persons to whom, and the time or times at which, Awards shall be granted and the number of Units to be subject to each Award;

(b) to determine the type of Award granted;

(c) to determine the Fair Market Value of Units or other property;

(d) to determine the terms, conditions and restrictions applicable to each Award (which need not be identical) and any Units acquired pursuant thereto, including, without limitation, (i) the exercise or purchase price of Units pursuant to any Award, (ii) the method of payment for Units purchased pursuant to any Award, (iii) the method for satisfaction of any tax withholding obligation arising in connection with any Award, including by the withholding or delivery of Units, (iv) the timing, terms and conditions of the exercisability or vesting of any Award or Units acquired pursuant thereto, (v) the time of expiration of any Award, (vi) the effect of any Participant's termination of Service on any of the foregoing, and (vii) all other terms, conditions and restrictions applicable to any Award or Units acquired pursuant thereto not inconsistent with the terms of the Plan;

(e) to approve one or more forms of Award Agreement;

(f) to amend, modify, extend, cancel or renew any Award or to waive any restrictions or conditions applicable to any Award or any Units acquired pursuant thereto;

(g) to accelerate, continue, extend or defer the exercisability or vesting of any Award or any Units acquired pursuant thereto, including with respect to the period following a Participant's termination of Service;

(h) to prescribe, amend or rescind rules, guidelines and policies relating to the Plan, or to adopt sub-plans or supplements to, or alternative versions of, the Plan, including, without limitation, as the Board deems necessary or desirable to comply with the laws of, or to accommodate the tax policy, accounting principles or custom of, foreign jurisdictions whose citizens may be granted Awards; and

(i) to correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award Agreement and to make all other determinations and take such other actions with respect to the Plan or any Award as the Board may deem advisable to the extent not inconsistent with the provisions of the Plan or applicable law.

3.4 **Indemnification.** In addition to such other rights of indemnification as they may have as members of the Board or as officers or employees of the Participating Company Group to the extent permitted by applicable law and the Company's By-laws and Articles of Formation, members of the Board and any officers or employees of the Participating Company Group to whom authority to act for the Board or the Company is delegated shall be indemnified by the Company against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any right granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Board) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct in duties; provided, however, that within sixty (60) days after the institution of such action, suit or proceeding, such person shall offer to the Board, in writing, the opportunity for the Company at its own expense to handle and defend the same.

4. **UNITS SUBJECT TO PLAN.**

4.1 **Maximum Number of Units Issuable.** Subject to adjustment as provided in Sections 4.2 and 4.3, the maximum aggregate number of Units that may be issued under the Plan shall be thirty million (30,000,000) and shall consist of authorized but unissued or reacquired Units or any combination thereof. Notwithstanding the foregoing, at any such time as the offer and sale of securities pursuant to the Plan is subject to compliance with Section 260.140.45 of Title 10 of the California Code of Regulations ("***Section 260.140.45***"), the total number of Units issuable upon the exercise of all outstanding Awards (together with options outstanding under any other plan of the Company) and the total number of Units provided for under any Unit bonus or similar plan of the Company shall not exceed thirty percent (30%) (or such other higher percentage limitation as may be approved by the members of the Company pursuant to Section 260.140.45) of the then outstanding Units of the Company as calculated in accordance with the conditions and exclusions of Section 260.140.45.

4.2 **Unit Counting.** If an outstanding Award for any reason expires or is terminated or canceled (other than those cancelled in exchange for the payment of value (i) in the case of Options, for an amount of cash equal to the amount by which the Fair Market Value at the time of such cancellation exceeds the stated exercise price, or (ii) in the case of Units, for an amount of cash equal to the Fair Market Value at the time of cancellation; in which case such Options and/or Units, canceled for value, shall count on a one-for-one basis

against the available Units hereunder) or if Units are acquired pursuant to an Award subject to forfeiture or repurchase and are forfeited or repurchased by the Company for an amount not greater than the Participant's exercise or purchase price, the Units allocable to the terminated portion of such Award or such forfeited or repurchased Units shall again be available for issuance under the Plan. If the exercise price of an Option is paid by tender to the Company, or attestation to the ownership, of Units owned by the Participant, or by means of a Net-Exercise, the number of Units available for issuance under the Plan shall be reduced by the gross number of Units for which the Option is exercised. Units withheld or reacquired by the Company in satisfaction of tax withholding obligations pursuant to Section 11.2 shall not again be available for issuance under the Plan.

4.3 **Adjustments for Changes in Capital Structure.** Subject to any required action by the members of the Company and the requirements of Section 409A of the Code to the extent applicable, in the event of any change in the Units effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, recapitalization, reclassification, Unit dividend, split, reverse split, split-up, split-off, spin-off, combination of Units, exchange of Units, Solvent Reorganization (as defined by the Operating Agreement) or similar change in the capital structure of the Company adjustments shall be made as the Board determines appropriate in order to prevent dilution or enlargement of Participants' rights under the Plan, including, without limitation, (i) adjusting the number and/or kind of Units subject to the Plan and to any outstanding Awards, (ii) adjusting the exercise or purchase price per Unit of any outstanding Awards; (iii) adjusting Vesting Conditions (e.g., performance measures); (iv) providing for substitute awards, accelerating exercisability and/or vesting, effecting the lapse of restrictions and the termination of Awards, and/or providing for a period of time to exercise the Award prior to the applicable event; and/or (v) cancelling any one or more outstanding Awards; provided, however, that in the case of any "equity restructuring" (within the meaning of the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004)), the Board shall make an equitable or proportionate adjustment to outstanding Awards to reflect such equity restructuring. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." If a majority of the Units which are of the same class as the Units that are subject to outstanding Awards are exchanged for, converted into, or otherwise become (whether or not pursuant to an Ownership Change Event) securities of another business entity (the "***New Securities***"), the Board may unilaterally amend the outstanding Awards to provide that such Awards are for New Securities. In the event of any such amendment, the number of New Securities and the exercise or purchase price of each unit of New Securities subject to the outstanding Awards shall be adjusted in a fair and equitable manner as determined by the Board, in its discretion. Any fractional Unit resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number, and the exercise price per Unit shall be rounded up to the nearest whole cent. Such adjustments shall be determined by the Board, and its determination shall be final, binding and conclusive.

4.4 **Assumption or Substitution of Awards.** The Board may, without affecting the number of Units available pursuant to Section 4.1, authorize the issuance or assumption of benefits under this Plan in connection with any merger, consolidation, acquisition of property or stock, or reorganization upon such terms and conditions as it may deem appropriate, subject to compliance with Section 409A and any other applicable provisions of the Code.

5. **ELIGIBILITY.**

5.1 **Persons Eligible for Awards.** Awards may be granted only to Employees, Consultants and Managers.

5.2 **Participation in the Plan.** Awards are granted solely at the discretion of the Board. Eligible persons may be granted more than one Award. However, eligibility in accordance with this Section shall not entitle any person to be granted an Award, or, having been granted an Award, to be granted an additional Award.

5.3 **Issuance of Units Subject to Operating Agreement.** Notwithstanding any provision of the Plan to the contrary, if required by the Board, as a condition to the grant and/or receipt of Units under an Award, a Participant may be required to execute and deliver to the Company a written undertaking in a form acceptable to the Board to be bound by the terms and conditions of the Operating Agreement and/or any lock-up or other documents the Board reasonably determines to be necessary or appropriate in connection with the issuance of an Award Agreement or such Units to such person.

6. **OPTIONS.**

All Options shall be nonstatutory options and not incentive options described in Section 422(b) of the Code. Options shall be evidenced by Award Agreements specifying the number of Units covered thereby, in such form as the Board shall from time to time establish. Such Award Agreements shall incorporate all applicable terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

6.1 **Exercise Price.** The exercise price for each Option shall be established in the discretion of the Board; provided, however, that the exercise price per Unit for an Option shall be not less than the Fair Market Value of a Unit on the effective date of grant of the Option. Notwithstanding the foregoing, an Option may be granted with an exercise price lower than the minimum exercise price set forth above if such Option is granted pursuant to an assumption or substitution for another option in a manner that would qualify under the provisions of Section 409A of the Code.

6.2 **Exercisability and Term of Options.** Subject to Section 12, Options shall be exercisable at such time or times, or upon such event or events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Board and set forth in the Award Agreement evidencing such Option; provided, however, that no Option shall be exercisable after the expiration of ten (10) years after the effective date of grant of such Option. Subject to the foregoing, unless otherwise specified by the Board in the grant of an Option, any Option granted hereunder shall terminate ten (10) years after the effective date of grant of the Option, unless earlier terminated in accordance with its provisions.

6.3 **Payment of Exercise Price**.

(a) ***Forms of Consideration Authorized.*** Except as otherwise provided below, payment of the exercise price for the number of Units being purchased pursuant to any Option shall be made (i) in cash, by check or in cash equivalent; (ii) if permitted by the Board and subject to the limitations contained in Section 6.3(b), by means of (1) a Unit Tender Exercise, (2) a Cashless Exercise or (3) a Net Exercise; (iii) by such other

consideration as may be approved by the Board from time to time to the extent permitted by applicable law, or (iv) by any combination thereof. The Board may at any time or from time to time grant Options which do not permit all of the foregoing forms of consideration to be used in payment of the exercise price or which otherwise restrict one or more forms of consideration.

(b) ***Limitations on Forms of Consideration***.

(i) **Unit Tender Exercise.** A *"**Unit Tender Exercise**"* means the delivery of a properly executed exercise notice accompanied by a Participant's tender to the Company, or attestation to the ownership, in a form acceptable to the Board of whole Units having a Fair Market Value that does not exceed the aggregate exercise price for the Units with respect to which the Option is exercised. A Unit Tender Exercise shall not be permitted if it would constitute a violation of the provisions of any law, regulation or agreement restricting the redemption of the Units. If required by the Board, the Option may not be exercised by tender to the Company, or attestation to the ownership, of Units unless such Units either have been owned by the Participant for a period of time required by the Board (and not used for another option exercise by attestation during such period) or were not acquired, directly or indirectly, from the Company.

(ii) **Cashless Exercise.** A Cashless Exercise shall be permitted only following a conversion of Options into options for shares of stock of a corporation having shares of the same class which have become publicly traded in an established securities market. A *"**Cashless Exercise**"* means the delivery of a properly executed exercise notice together with irrevocable instructions to a broker providing for the assignment to the Company of the proceeds of a sale or loan with respect to some or all of the shares being acquired upon the exercise of the Option (including, without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of Governors of the Federal Reserve System). The Board reserves, at any and all times, the right, in the Board's sole and absolute discretion, to establish, decline to approve or terminate any program or procedures for the exercise of Options by means of a Cashless Exercise, including with respect to one or more Participants specified by the Board notwithstanding that such program or procedures may be available to other Participants.

(iii) **Net Exercise.** A *"**Net Exercise**"* means the delivery of a properly executed exercise notice followed by a procedure pursuant to which (1) the Company will reduce the number of Units otherwise issuable to a Participant upon the exercise of an Option by the largest whole number of Units having a Fair Market Value that does not exceed the aggregate exercise price for the Units with respect to which the Option is exercised, and (2) the Participant shall pay to the Company in cash the remaining balance of such aggregate exercise price not satisfied by such reduction in the number of whole Units to be issued.

6.4 **Effect of Termination of Service**.

(a) ***Option Exercisability*.** Subject to earlier termination of the Option as otherwise provided by this Plan and unless a longer exercise period is provided by the Board, an Option shall terminate immediately upon the Participant's termination of Service to the extent that it is then unvested and shall be exercisable after the Participant's termination of Service to the extent it is then vested only during the applicable time period determined in accordance with this Section and thereafter shall terminate:

(i) **Disability.** If the Participant's Service terminates because of the Disability of the Participant, the Option, to the extent unexercised and exercisable for vested Units on the date on which the Participant's Service terminated, may be exercised by the Participant (or the Participant's guardian or legal representative) at any time prior to the expiration of twelve (12) months after the date on which the Participant's Service terminated, but in any event no later than the date of expiration of the Option's term as set forth in the Award Agreement evidencing such Option (the "***Option Expiration Date***").

(ii) **Death.** If the Participant's Service terminates because of the death of the Participant, the Option, to the extent unexercised and exercisable for vested Units on the date on which the Participant's Service terminated, may be exercised by the Participant's legal representative or other person who acquired the right to exercise the Option by reason of the Participant's death at any time prior to the expiration of twelve (12) months after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date. The Participant's Service shall be deemed to have terminated on account of death if the Participant dies within three (3) months after the Participant's termination of Service.

(iii) **Termination for Cause.** Notwithstanding any other provision of the Plan to the contrary, if the Participant's Service is terminated for Cause, the Option shall terminate in its entirety and cease to be exercisable immediately upon such termination of Service.

(iv) **Other Termination of Service.** If the Participant's Service terminates for any reason, except Disability, death or Cause, the Option, to the extent unexercised and exercisable for vested Units on the date on which the Participant's Service terminated, may be exercised by the Participant at any time prior to the expiration of three (3) months after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date.

(b) ***Extension if Exercise Prevented by Law.*** Notwithstanding the foregoing other than termination of Service for Cause, if the exercise of an Option within the applicable time periods set forth in Section 6.4(a) is prevented by the provisions of Section 12 below, the Option shall remain exercisable until the later of (i) thirty (30) days after the date such exercise first would no longer be prevented by such provisions or (ii) the end of the applicable time period under Section 6.4(a), but in any event no later than the Option Expiration Date.

6.5 **Transferability of Options.** During the lifetime of the Participant, an Option shall be exercisable only by the Participant or the Participant's guardian or legal representative. An Option shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution and in accordance with the Operating Agreement. Notwithstanding the foregoing, to the extent permitted by the Board, in its discretion, and set forth in the Award Agreement evidencing such Option, an Option shall be assignable or transferable subject to the applicable limitations, if any, described in Rule 701 under the Securities Act and the Operating Agreement.

7. **Restricted Unit Awards.**

Restricted Unit Awards shall be evidenced by Award Agreements specifying whether the Award is a Restricted Unit Bonus or a Restricted Unit Purchase Right and the number of Units subject to the Award, in such form as the Board shall from time to time establish. Such Award Agreements shall incorporate all applicable terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

7.1 **Types of Restricted Unit Awards Authorized.** Restricted Unit Awards may be granted in the form of either a Restricted Unit Bonus or a Restricted Unit Purchase Right. Restricted Unit Awards may be granted upon such conditions as the Board shall determine, including, without limitation, upon the attainment of one or more performance goals.

7.2 **Purchase Price.** The purchase price for Units issuable under each Restricted Unit Purchase Right shall be established by the Board in its discretion. No monetary payment (other than applicable tax withholding) shall be required as a condition of receiving Units pursuant to a Restricted Unit Bonus, the consideration for which shall be services actually rendered to a Participating Company or for its benefit.

7.3 **Purchase Period.** A Restricted Unit Purchase Right shall be exercisable within a period established by the Board, which shall in no event exceed thirty (30) days from the effective date of the grant of the Restricted Unit Purchase Right.

7.4 **Payment of Purchase Price.** Except as otherwise provided below, payment of the purchase price for the number of Units being purchased pursuant to any Restricted Unit Purchase Right shall be made (a) in cash, by check or in cash equivalent, (b) by such other consideration as may be approved by the Board from time to time to the extent permitted by applicable law, or (c) by any combination thereof.

7.5 **Vesting and Restrictions on Transfer.** Units issued pursuant to any Restricted Unit Award may (but need not) be made subject to Vesting Conditions based upon the satisfaction of such Service requirements, conditions, restrictions or performance criteria as shall be established by the Board and set forth in the Award Agreement evidencing such Award. During any period in which Units acquired pursuant to a Restricted Unit Award remain subject to Vesting Conditions, such Units may not be sold, exchanged, transferred, pledged, assigned or otherwise disposed of other than pursuant to an Ownership Change Event or as provided in Section 7.8. Upon request by the Board and/or the Company, a Participant shall execute any agreement evidencing such transfer restrictions prior to the receipt of Units hereunder and shall promptly present to the Company any and all certificates representing Units acquired hereunder for the placement on such certificates of appropriate legends evidencing any such transfer restrictions.

7.6 **Voting Rights; Dividends and Distributions.** Except as provided in this Section, Section 7.5 and any Award Agreement, during any period in which Units acquired pursuant to a Restricted Unit Award remain subject to Vesting Conditions, the Participant shall have all of the rights of a member of the Company holding Units, including the right to vote such Units and to receive all dividends and other distributions paid with respect to such Units; provided, however, that if so determined by the Board and provided by the Award Agreement, such dividends and distributions shall be subject to the same Vesting Conditions as the Units subject to the Restricted Unit Award with respect to which such

dividends or distributions were paid. In the event of a dividend or distribution paid in Units or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.3, any and all new, substituted or additional securities or other property (other than normal cash dividends) to which the Participant is entitled by reason of the Participant's Restricted Unit Award shall be immediately subject to the same Vesting Conditions as the Units subject to the Restricted Unit Award with respect to which such dividends or distributions were paid or adjustments were made.

7.7 **Effect of Termination of Service.** Unless otherwise provided by the Board in the Award Agreement evidencing a Restricted Unit Award, if a Participant's Service terminates for any reason, whether voluntary or involuntary (including the Participant's death or disability), then (a) the Company (or its assignee) shall have the option to repurchase for the purchase price paid by the Participant any Units acquired by the Participant pursuant to a Restricted Unit Purchase Right which remain subject to Vesting Conditions as of the date of the Participant's termination of Service and (b) the Participant shall forfeit to the Company any Units acquired by the Participant pursuant to a Restricted Unit Bonus which remain subject to Vesting Conditions as of the date of the Participant's termination of Service. The Company shall have the right to assign at any time any repurchase right it may have, whether or not such right is then exercisable, to one or more persons as may be selected by the Company.

7.8 **Nontransferability of Restricted Unit Award Rights.** Rights to acquire Units pursuant to a Restricted Unit Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or the laws of descent and distribution. All rights with respect to a Restricted Unit Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative and in accordance with the Operating Agreement.

8. **Deferred Unit Awards.**

Deferred Unit Awards shall be evidenced by Award Agreements specifying the number of Deferred Units subject to the Award, in such form as the Board shall from time to time establish. Such Award Agreements shall incorporate all applicable terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

8.1 **Purchase Price.** No monetary payment (other than applicable tax withholding, if any) shall be required as a condition of receiving a Deferred Unit Award, the consideration for which shall be services actually rendered to a Participating Company or for its benefit.

8.2 **Vesting.** Deferred Unit Awards may (but need not) be made subject to Vesting Conditions based upon the satisfaction of such Service requirements, conditions, restrictions or performance criteria as shall be established by the Board and set forth in the Award Agreement evidencing such Award.

8.3 **Voting Rights, Dividend Equivalent Rights and Distributions.** Participants shall have no voting rights with respect to Units represented by Deferred Unit Awards until the date of the issuance of such Units (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). However,

the Board, in its discretion, may provide in the Award Agreement evidencing any Deferred Unit Award that the Participant shall be entitled to Dividend Equivalent Rights with respect to the payment of cash dividends on Units during the period beginning on the date such Award is granted and ending, with respect to each Unit subject to the Award, on the earlier of the date the Award is settled or the date on which it is terminated. Such Dividend Equivalent Rights, if any, shall be paid by crediting the Participant a cash amount (or additional whole Deferred Units as of the date of payment of such cash dividends on Units, as determined by the Board), which amounts shall be subject to the same terms and conditions and shall be settled in the same manner and at the same time as the Deferred Units originally subject to the Deferred Unit Award. In the event of a dividend or distribution paid in Units or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.3, appropriate adjustments shall be made in the Participant's Deferred Unit Award so that it represents the right to receive upon settlement any and all new, substituted or additional securities or other property to which the Participant would be entitled by reason of the Units issuable upon settlement of the Award, and all such new, substituted or additional securities or other property shall be immediately subject to the same Vesting Conditions as are applicable to the Award.

8.4 **Effect of Termination of Service.** Unless otherwise provided by the Board and set forth in the Award Agreement evidencing a Deferred Unit Award, if a Participant's Service terminates for any reason, whether voluntary or involuntary (including the Participant's death or disability), then the Participant shall forfeit to the Company any Deferred Units pursuant to the Award which remain subject to Vesting Conditions as of the date of the Participant's termination of Service, and, in the event of the Participant's termination for Cause, such Deferred Unit Award to the extent not yet settled.

8.5 **Settlement of Deferred Unit Awards.** The Company shall issue to a Participant on the date on which Deferred Units subject to the Participant's Deferred Unit Award vest or on such other date determined by the Board, in its discretion, and set forth in the Award Agreement one (1) Unit (and/or any other new, substituted or additional securities or other property pursuant to an adjustment described in Section 8.3) for each Deferred Unit then becoming vested or otherwise to be settled on such date, subject to the withholding of applicable taxes, if any. If permitted by the Board, the Participant may elect, consistent with the requirements of Section 409A of the Code, to defer receipt of all or any portion of the Units or other property otherwise issuable to the Participant pursuant to this Section, and such deferred issuance date(s) and amount(s) elected by the Participant shall be set forth in the Award Agreement. Notwithstanding the foregoing, the Board, in its discretion, may provide for settlement of any Deferred Unit Award by payment to the Participant in cash of an amount equal to the Fair Market Value on the payment date of the Units or other property otherwise issuable to the Participant pursuant to this Section.

8.6 **Nontransferability of Deferred Unit Awards.** The right to receive Units pursuant to a Deferred Unit Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to a Deferred Unit Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

9. **STANDARD FORMS OF AWARD AGREEMENTS.**

9.1 **Award Agreements.** Each Award shall comply with and be subject to the terms and conditions set forth in the appropriate form of Award Agreement approved by the Board and as amended from time to time. No Award or purported Award shall be a valid and binding obligation of the Company unless evidenced by a fully executed Award Agreement.

9.2 **Authority to Vary Terms.** The Board shall have the authority from time to time to vary the terms of any standard form of Award Agreement either in connection with the grant or amendment of an individual Award or in connection with the authorization of a new standard form or forms; provided, however, that the terms and conditions of any such new, revised or amended standard form or forms of Award Agreement are not inconsistent with the terms of the Plan.

10. **CHANGE IN CONTROL.**

Subject to the requirements and limitations of Section 409A of the Code, if applicable, the Board may provide for any one or more of the following:

10.1 **Accelerated Vesting**. The Board may, in its discretion, provide in any Award Agreement or, in the event of a Change in Control, may take such actions as it deems appropriate to provide for the acceleration of the exercisability and/or vesting in connection with such Change in Control of each or any outstanding Award or portion thereof and Units acquired pursuant thereto upon such conditions, including termination of the Participant's Service prior to, upon, or following such Change in Control, to such extent as the Board shall determine.

10.2 **Assumption, Continuation or Substitution of Awards**. In the event of a Change in Control, the surviving, continuing, successor, or purchasing entity or parent thereof, as the case may be (the "***Acquiror***"), may, without the consent of any Participant, assume or continue the Company's rights and obligations under each or any Award or portion thereof outstanding immediately prior to the Change in Control or substitute for each or any such outstanding Award or portion thereof a substantially equivalent award with respect to the Acquiror's securities. For purposes of this Section, if so determined by the Board, in its discretion, an Award or any portion thereof shall be deemed assumed if, following the Change in Control, the Award confers the right to receive, subject to the terms and conditions of the Plan and the applicable Award Agreement, for each Unit subject to such portion of the Award immediately prior to the Change in Control, the consideration (whether units, stock, cash, other securities or property or a combination thereof) to which a holder of a Unit on the effective date of the Change in Control was entitled; provided, however, that if such consideration is not solely common equity of the Acquiror, the Board may, with the consent of the Acquiror, provide for the consideration to be received upon the exercise of the Award for each Unit to consist solely of common equity of the Acquiror equal in Fair Market Value to the per Unit consideration received by holders of Units pursuant to the Change in Control. If any portion of such consideration may be received by holders of Units pursuant to the Change in Control on a contingent or delayed basis, the Board may, in its discretion, determine such Fair Market Value per Unit as of the time of the Change in Control on the basis of the Board's good faith estimate of the present value of the probable future payment of such consideration. Any Award or portion thereof which is neither assumed or continued by the Acquiror in connection with the Change in Control nor exercised as of the time of

consummation of the Change in Control shall terminate and cease to be outstanding effective as of the time of consummation of the Change in Control. Notwithstanding the foregoing, Units acquired upon exercise of an Award prior to the Change in Control and any consideration received pursuant to the Change in Control with respect to such Units shall continue to be subject to all applicable provisions of the Award Agreement evidencing such Award except as otherwise provided in such Award Agreement.

10.3 **Cash-Out of Outstanding Awards.** The Board may, in its discretion and without the consent of any Participant, determine that, upon the occurrence of a Change in Control, each or any Award or portion thereof outstanding immediately prior to the Change in Control and not previously exercised shall be canceled in exchange for a payment with respect to each vested Unit (and each unvested Unit, if so determined by the Board) subject to such canceled Award in (i) cash, (ii) securities of the Company or of another business entity a party to the Change in Control, or (iii) other property which, in any such case, shall be in an amount having a Fair Market Value equal to the Fair Market Value of the consideration to be paid per Unit in the Change in Control, reduced (but not below zero) by the exercise or purchase price per Unit, if any, under such Award. If any portion of such consideration may be received by holders of Units pursuant to the Change in Control on a contingent or delayed basis, the Board may, in its sole discretion, determine such Fair Market Value per Unit as of the time of the Change in Control on the basis of the Board's good faith estimate of the present value of the probable amount of future payment of such consideration. In the event such determination is made by the Board, an Award having an exercise or purchase price per share equal to or greater than the Fair Market Value of the consideration to be paid per Unit in the Change in Control may be canceled without payment of consideration to the holder thereof. Payment pursuant to this Section (reduced by applicable withholding taxes, if any) shall be made to Participants in respect of the vested portions of their canceled Awards as soon as practicable following the date of the Change in Control and in respect of the unvested portions of their canceled Awards in accordance with the vesting schedules applicable to such Awards.

11. **Tax Withholding.**

11.1 **Tax Withholding in General.** The Company shall have the right to deduct from any and all payments made under the Plan, or to require the Participant, through payroll withholding, cash payment or otherwise, to make adequate provision for, the federal, state, local and foreign taxes (including any social insurance tax), if any, required by law to be withheld by the Participating Company Group with respect to an Award or the Units acquired pursuant thereto. The Company shall have no obligation to deliver Units or to release Units from an escrow established pursuant to an Award Agreement until the Participating Company Group's tax withholding obligations have been satisfied by the Participant.

11.2 **Withholding in Units.** The Company shall have the right, but not the obligation, to deduct from the Units issuable to a Participant upon the exercise or vesting of an Award, or to accept from the Participant the tender of, a number of whole Units having a Fair Market Value, as determined by the Board, equal to all or any part of the tax withholding obligations of the Participating Company Group. The Fair Market Value of any Units withheld or tendered to satisfy any such tax withholding obligations shall not exceed the amount determined by the applicable minimum statutory withholding rates. Notwithstanding the foregoing, this Section 11.2 shall not apply with respect to an Option to purchase Units or

shares of stock of a corporation either of which is not publicly traded in an established securities market.

12. **Compliance with Securities Law.**

The grant of Awards and the issuance of Units pursuant to any Award shall be subject to compliance with all applicable requirements of federal, state and foreign law with respect to such securities and the requirements of any stock exchange or market system upon which the securities of the Company may then be listed. No Award may be exercised or Units issued pursuant to an Award unless (a) a registration statement under the Securities Act shall at the time of such exercise or issuance be in effect with respect to the securities issuable pursuant to the Award or (b) in the opinion of legal counsel to the Company, the securities issuable pursuant to the Award may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. Furthermore, except as otherwise determined by the Board, in its discretion, no Option may be exercised if the number of record holders of Units immediately following such exercise and issuance of Units would exceed ninety percent (90%) of the number of such record holders that would require the Company to register the Units pursuant to Section 12(g) of the Exchange Act, in which case the Board can, among other things, toll the stated exercise period or unilaterally cancel Options in exchange for a cash payment equal to the excess of the Fair Market Value on the attempted date of exercise over the stated exercise price for such Option. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any securities hereunder shall relieve the Company of any liability in respect of the failure to issue or sell such securities as to which such requisite authority shall not have been obtained. As a condition to issuance of any securities, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

13. **Amendment or Termination of Plan.**

The Board may amend, suspend or terminate the Plan at any time. However, without the approval of the Company's members, there shall be (a) no increase in the maximum aggregate number of Units that may be issued under the Plan (except by operation of the provisions of Section 4.3) and (b) no other amendment of the Plan that would require approval of the Company's members under any applicable law, regulation or rule, including the rules of any stock exchange or market system upon which the securities of the Company may then be listed. No amendment, suspension or termination of the Plan shall affect any then outstanding Award unless expressly provided by the Board. Except as provided by the next sentence, no amendment, suspension or termination of the Plan may have a materially adverse effect on any then outstanding Award without the consent of the Participant. Notwithstanding any other provision of the Plan or any Award Agreement to the contrary, the Board may, in its sole and absolute discretion and without the consent of any Participant, amend the Plan or any Award Agreement, to take effect retroactively or otherwise, as it deems necessary or advisable for the purpose of conforming the Plan or such Award Agreement to any present or future law, regulation or rule applicable to the Plan.

14. **Miscellaneous Provisions**.

14.1 **Repurchase Rights.** Units issued under the Plan may be subject to a right of first refusal, one or more repurchase options, or other conditions and restrictions as determined by the Board in its discretion at the time the Award is granted or as required by the Operating Agreement. The Company shall have the right to assign at any time any repurchase right it may have, whether or not such right is then exercisable, to one or more persons as may be selected by the Company. Upon request by the Company, each Participant shall execute any agreement evidencing such transfer restrictions prior to the receipt of Units hereunder and shall promptly present to the Company any and all certificates representing Units acquired hereunder for the placement on such certificates of appropriate legends evidencing any such transfer restrictions.

14.2 **Provision of Information**. At least annually, copies of the Company's balance sheet and income statement for the just completed fiscal year shall be made available to each Participant and purchaser of Units upon the exercise of an Award; provided, however, that this requirement shall not apply if all offers and sales of securities pursuant to the Plan comply with all applicable conditions of Rule 701 under the Securities Act. Except as otherwise provided by the Operating Agreement, the Company shall not be required to provide such information to key persons whose duties in connection with the Company assure them access to equivalent information. The Company shall deliver to each Participant such disclosures as are required in accordance with Rule 701 under the Securities Act and by the Operating Agreement.

14.3 **Rights as Employee, Consultant or Manager.** No person, even though eligible pursuant to Section 5, shall have a right to be selected as a Participant, or, having been so selected, to be selected again as a Participant. Nothing in the Plan or any Award granted under the Plan shall confer on any Participant a right to remain an Employee, Consultant or Manager or interfere with or limit in any way any right of a Participating Company to terminate the Participant's Service at any time. To the extent that an Employee of a Participating Company other than the Company receives an Award under the Plan, that Award shall in no event be understood or interpreted to mean that the Company is the Employee's employer or that the Employee has an employment relationship with the Company.

14.4 **Rights as a Member.** A Participant shall have no rights as a member with respect to any Units covered by an Award until the date of the issuance of such Units (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such Units are issued, except as provided in Section 4.3 or another provision of the Plan.

14.5 **Delivery of Title to Securities.** Subject to any governing rules or regulations, the Company shall issue or cause to be issued the securities acquired pursuant to an Award and shall deliver such securities to or for the benefit of the Participant by means of one or more of the following: (a) by delivering to the Participant evidence of securities credited to the account of the Participant on the books of the Company or an agent of the Company, (b) by depositing such securities for the benefit of the Participant with any broker with which the Participant has an account relationship, or (c) by delivering such securities to the Participant in certificate form.

14.6 **Fractional Units.** The Company shall not be required to issue fractional Units upon the exercise or settlement of any Award.

14.7 **Retirement and Welfare Plans**. Neither Awards made under this Plan nor Units or cash paid pursuant to such Awards shall be included as "compensation" for purposes of computing the benefits payable to any Participant under any Participating Company's retirement plans (both qualified and non-qualified) or welfare benefit plans unless such other plan expressly provides that such compensation shall be taken into account in computing such benefits.

14.8 **Beneficiary Designation.** Subject to local laws and procedures, each Participant may file with the Company a written designation of a beneficiary who is to receive any benefit under the Plan to which the Participant is entitled in the event of such Participant's death before he or she receives any or all of such benefit. Each designation will revoke all prior designations by the same Participant, shall be in a form prescribed by the Company, and will be effective only when filed by the Participant in writing with the Company during the Participant's lifetime. If a married Participant designates a beneficiary other than the Participant's spouse, the effectiveness of such designation may be subject to the consent of the Participant's spouse. If a Participant dies without an effective designation of a beneficiary who is living at the time of the Participant's death, the Company will pay any remaining unpaid benefits to the Participant's legal representative.

14.9 **Severability**. If any one or more of the provisions (or any part thereof) of this Plan shall be held invalid, illegal or unenforceable in any respect, such provision shall be modified so as to make it valid, legal and enforceable, and the validity, legality and enforceability of the remaining provisions (or any part thereof) of the Plan shall not in any way be affected or impaired thereby.

14.10 **No Constraint on Company Action.** Nothing in this Plan shall be construed to: (a) limit, impair, or otherwise affect the Company's or another Participating Company's right or power to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure, or to merge or consolidate, or dissolve, liquidate, sell, or transfer all or any part of its business or assets; or (b) limit the right or power of the Company or another Participating Company to take any action which such entity deems to be necessary or appropriate.

14.11 **Choice of Law.** Except to the extent governed by applicable federal law, the validity, interpretation, construction and performance of the Plan and each Award Agreement shall be governed by the laws of the State of California, without regard to its conflict of law rules.

14.12 **Member Approval**. The Plan or any increase in the maximum aggregate number of Units issuable hereunder as provided in Section 4.1 (the "***Authorized Units***") shall be approved by a majority of the outstanding securities of the Company entitled to vote by the later of (a) a period beginning twelve (12) months before and ending twelve (12) months after the date of adoption thereof by the Board or (b) the first issuance of any security pursuant to the Plan in the State of California (within the meaning of Section 25008 of the California Corporations Code). Awards granted prior to security holder approval of the Plan or in excess of the Authorized Units previously approved by the security holders shall become exercisable no earlier than the date of security holder approval of the Plan or such increase in the Authorized Units, as the case may be, and such Awards shall be

rescinded if such security holder approval is not received in the manner described in the preceding sentence.

14.13 **Foreign Plans/Sub-Plans**. With respect to Participants who reside or work outside of the United States of America, Awards granted hereunder shall be interpreted in accordance with, and shall be deemed amended to the minimum extent necessary so as to comply with, applicable law and in a manner that preserves to the extent possible the original intent of such Awards.

PLAN HISTORY

December 8, 2009	Board adopts Plan, with an initial reserve of 30,000,000 Units.
December 8, 2009	Members of the Company approve Plan.

THE SECURITIES WHICH ARE THE SUBJECT OF THIS AGREEMENT HAVE BEEN OFFERED IN AN OFFSHORE TRANSACTION TO A PERSON WHO IS NOT A U.S. PERSON (AS DEFINED HEREIN) PURSUANT TO REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT").

THE SECURITIES WHICH ARE THE SUBJECT OF THIS AGREEMENT HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. SUCH SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT AND, AS SUCH, THEY MAY NOT BE OFFERED FOR SALE, SOLD, DELIVERED AFTER SALE, TRANSFERRED, PLEDGED, HYPOTHECATED OR EXERCISED (AS APPLICABLE) IN THE ABSENCE OF SUCH REGISTRATION IN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S UNDER THE SECURITIES ACT, PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO REGISTRATION UNDER THE SECURITIES ACT. THE HOLDER OF THE SUCH SECURITIES AGREES NOT TO ENGAGE IN HEDGING TRANSACTIONS WITH REGARD TO THE SECURITIES UNLESS IN COMPLIANCE WITH THE SECURITIES ACT.

MAGNACHIP SEMICONDUCTOR LLC
OPTION AGREEMENT
[Non-US Participants]

MagnaChip Semiconductor LLC has granted to the Participant named in the *Notice of Grant of Unit Option* (the "***Grant Notice***") to which this Option Agreement (the "***Option Agreement***") is attached an option (the "***Option***") to purchase certain Units upon the terms and conditions set forth in the Grant Notice and this Option Agreement. The Option has been granted pursuant to and shall in all respects be subject to the terms and conditions of the MagnaChip Semiconductor LLC 2009 Common Unit Plan (the "***Plan***"), as amended to the Date of Grant, the provisions of which are incorporated herein by reference. By signing the Grant Notice, the Participant: (a) acknowledges receipt of, and represents that the Participant has read and is familiar with, the Grant Notice, this Option Agreement, the Plan and the Operating Agreement, (b) accepts the Option subject to all of the terms and conditions of the Grant Notice, Option Agreement, the Plan and the Operating Agreement, and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Board upon any questions arising under such documents.

1. **Definitions and Construction.**

1.1 **Definitions.** Unless otherwise defined herein, capitalized terms shall have the meanings assigned to such terms in the Grant Notice or the Plan.

1.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Option Agreement. Except when otherwise indicated by the context, the singular shall

include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

2. **Certain Conditions of the Option.**

2.1 **Compliance with Local Law.** The Participant agrees that the Participant will not acquire Units pursuant to the Option or transfer, assign, sell or otherwise deal with such Units except in compliance with Local Law.

2.2 **Employment Conditions.** In accepting the Option, the Participant acknowledges that:

(a) Any notice period mandated under Local Law shall not be treated as Service for the purpose of determining the vesting of the Option; and the Participant's right to exercise the Option after termination of Service, if any, will be measured by the date of termination of the Participant's active Service and will not be extended by any notice period mandated under Local Law. Subject to the foregoing and the provisions of the Plan, the Company, in its sole discretion, shall determine whether the Participant's Service has terminated and the effective date of such termination.

(b) The Plan is established voluntarily by the Company. It is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and this Option Agreement.

(c) The grant of the Option is voluntary and occasional and does not create any contractual or other right to receive future grants of Options, or benefits in lieu of Options, even if Options have been granted repeatedly in the past.

(d) All decisions with respect to future Option grants, if any, will be at the sole discretion of the Company.

(e) The Participant's participation in the Plan shall not create a right to further Service with any Participating Company and shall not interfere with the ability of any Participating Company to terminate the Participant's Service at any time, with or without cause.

(f) The Participant is voluntarily participating in the Plan.

(g) The Option is an extraordinary item that does not constitute compensation of any kind for Service of any kind rendered to any Participating Company, and which is outside the scope of the Participant's employment contract, if any.

(h) The Option is not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating any severance, resignation, termination, redundancy, end-of-service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.

(i) In the event that the Participant is not an employee of the Company, the Option grant will not be interpreted to form an employment contract or relationship with the Company; and furthermore the Option grant will not be interpreted to form an employment contract with any other Participating Company.

(j) The future value of the underlying Units is unknown and cannot be predicted with certainty. If the underlying Units do not increase in value, the Option will have no value. If the Participant exercises the Option and obtains Units, the value of those Units acquired upon exercise may increase or decrease in value, even below the Exercise Price.

(k) No claim or entitlement to compensation or damages arises from termination of the Option or diminution in value of the Option or Units purchased through exercise of the Option resulting from termination of the Participant's Service (for any reason whether or not in breach of Local Law) and the Participant irrevocably releases the Company and each other Participating Company from any such claim that may arise. If, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen then, by signing this Option Agreement, the Participant shall be deemed irrevocably to have waived the Participant's entitlement to pursue such a claim.

2.3 **Data Privacy Consent.**

(a) The Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Participant's personal data as described in this document by and among the members of the Participating Company Group for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan.

(b) The Participant understands that the Participating Company Group holds certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any securities or directorships held in the Company, details of all Options or any other entitlement to securities awarded, canceled, exercised, vested, unvested or outstanding in the Participant's favor, for the purpose of implementing, administering and managing the Plan ("Data"). The Participant understands that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the Participant's country or elsewhere, and that the recipient's country may have different data privacy laws and protections than the Participant's country. The Participant understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting the Participant's local human resources representative. The Participant authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Participant's participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the Participant may elect to deposit any securities acquired upon exercise of the Option. The Participant understands that Data will be held only as long as is necessary to implement, administer and manage the Participant's participation in the Plan. The Participant understands that he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Participant's local human resources representative. The Participant understands, however, that refusing or withdrawing the Participant's consent may affect the Participant's ability to participate in the Plan. For more information on the consequences of the Participant's refusal to consent or withdrawal of consent, the Participant understands that he or she may contact the Participant's local human resources representative.

2.4 **Acknowledgements, Representations and Warranties of the Participant**.

(a) The Participant acknowledges, understands and agrees that:

(i) Neither the Option nor any Units that may be acquired by exercise of the Option (together, the "***Securities***") have been registered under the United States Securities Act of 1933, as amended (the "***Securities Act***"), and, unless so registered, may not be offered or sold in the United States or, directly or indirectly, to U.S. Persons (as defined in subsection (c) below), except in accordance with the provisions of Regulation S of the Securities Act ("***Regulation S***"), pursuant to an effective registration statement under the Securities Act, or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;

(ii) The Participant will only offer, transfer or sell the Securities in accordance with the provisions of Regulation S, pursuant to an effective registration statement under the Securities Act, or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities;

(iii) The Participant will not engage in hedging transactions with regard to the Securities unless in compliance with the Securities Act;

(iv) The Company will refuse to register any transfer of the Securities not made in accordance with the provisions of Regulation S, pursuant to an effective registration statement under the Securities Act or pursuant to an available exemption from the registration requirements of the Securities Act; and

(v) The Company and others will rely upon the truth and accuracy of the acknowledgements, representations and agreements contained in this Option Agreement, and agrees that if any of such acknowledgements, representations and agreements are no longer accurate or have been breached, the Participant shall promptly notify the Company.

(b) The Participant represents and warrants to the Company that:

(i) The Participant is not a U.S. Person and the Participant is not acquiring the Securities for the account or benefit of, directly or indirectly, any U.S. Person; and

(ii) The Participant is outside the United States when receiving and executing this Option Agreement and is acquiring the Securities for investment only and not with a view to resale or distribution and, in particular, it has no intention to distribution either directly or indirectly any of the Securities in the United States or to U.S. Persons.

(c) For purposes of this Option Agreement, "***U.S. Person***" means: (i) any natural person resident in the United States; (ii) any partnership or corporation organized or incorporated under the laws of the United States; (iii) any estate of which any executor or administrator is a U.S. Person; (iv) any trust of which any trustee is a U.S. Person; (v) any agency or branch of a foreign entity located in the United States; (vi) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or

other fiduciary for the benefit of or account of a U.S. Person; (vii) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated, or (if an individual) resident in the United States; and (viii) any partnership or corporation if (A) organized or incorporated under the laws of any non-U.S. jurisdiction and (B) formed by a U.S. Person principally for the purpose of investing in securities not registered under the Securities Act, unless it is organized or incorporated, and owned, by accredited investors (as defined below) who are not natural persons, estates or trusts.

3. **ADMINISTRATION.**

All questions of interpretation concerning the Grant Notice, this Option Agreement and the Plan, the Operating Agreement, and any other form of agreement or other document employed by the Board or the Company in the administration of the Plan or the Option shall be determined by the Board. All such determinations by the Board shall be final, binding and conclusive upon all persons having an interest in the Option, unless fraudulent or made in bad faith. Any and all actions, decisions and determinations taken or made by the Board in the exercise of its discretion pursuant to the Plan or the Option or other agreement thereunder (other than determining questions of interpretation pursuant to the preceding sentence) shall be final, binding and conclusive upon all persons having an interest in the Option. Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, or election which is the responsibility of or which is allocated to the Company herein, provided the Officer has actual authority with respect to such matter, right, obligation, or election.

4. **EXERCISE OF THE OPTION.**

4.1 **Right to Exercise**. Except as otherwise provided herein, the Option shall be exercisable on and after the Initial Vesting Date and prior to the termination of the Option (as provided in Section 6) in an amount not to exceed the number of Vested Units less the number of Units previously acquired upon exercise of the Option, subject to the Company's repurchase rights set forth in Section 11 and Section 12. In no event shall the Option be exercisable for more Units than the Number of Option Units, as adjusted pursuant to Section 9.

4.2 **Method of Exercise.** Exercise of the Option shall be by means of electronic or written notice (the "***Exercise Notice***") in a form authorized by the Company. An electronic Exercise Notice must be digitally signed or authenticated by the Participant in such manner as required by the notice and transmitted to the Company or an authorized representative of the Company (including a third-party administrator designated by the Company). In the event that the Participant is not authorized or is unable to provide an electronic Exercise Notice, the Option shall be exercised by a written Exercise Notice addressed to the Company, which shall be signed by the Participant and delivered in person, by certified or registered mail, return receipt requested, by confirmed facsimile transmission, or by such other means as the Company may permit, to the Company, or an authorized representative of the Company (including a third-party administrator designated by the Company). Each Exercise Notice, whether electronic or written, must state the Participant's election to exercise the Option, the number of whole Units for which the Option is being exercised and such other representations and agreements as to the Participant's investment intent with respect to such Units as may be required pursuant to the provisions of this Option Agreement. Further, each Exercise Notice must be received by the Company prior to the termination of the Option as set forth in Section 6 and must be accompanied by (a) full

payment of the aggregate Exercise Price for the number of Units being purchased and (b) such executed documents, if any, as may be required pursuant to Section 4.3. The Option shall be deemed to be exercised upon receipt by the Company of such electronic or written Exercise Notice, the aggregate Exercise Price, and, if required by the Company, such additional executed documents.

4.3 **Issuance of Units Subject to Operating Agreement.** If required by the Board, the Participant shall not be entitled to acquire any Units pursuant to this Option and to be admitted as a member of the Company thereby unless and until the Participant has executed and delivered to the Company a written undertaking in a form acceptable to the Board to be bound by the terms and conditions of the Operating Agreement and/or any lock-up or other documents the Board reasonably determines to be necessary or appropriate in connection with the issuance of such Units.

4.4 **Payment of Exercise Price.**

(a) ***Forms of Consideration Authorized.*** Except as otherwise provided below, payment of the aggregate Exercise Price for the number of Units for which the Option is being exercised shall be made (i) in cash, by check or in cash equivalent, (ii) if permitted by the Board and subject to the limitations contained in Section 4.4(b), by means of (1) a Unit Tender Exercise, (2) a Cashless Exercise, or (3) a Net-Exercise; or (iii) by any combination of the foregoing.

(b) ***Limitations on Forms of Consideration.*** The Board reserves, at any and all times, the right, in the Board's sole and absolute discretion, to establish, decline to approve or terminate any program or procedure providing for payment of the Exercise Price through any of the means described below, including with respect to the Participant notwithstanding that such program or procedures may be available to others.

(i) **Unit Tender Exercise.** A "***Unit Tender Exercise***" means the delivery of a properly executed Exercise Notice accompanied by (1) the Participant's tender to the Company, or attestation to the ownership, in a form acceptable to the Board of whole Units having a Fair Market Value that does not exceed the aggregate Exercise Price for the Units with respect to which the Option is exercised, and (2) the Participant's payment to the Company in cash of the remaining balance of such aggregate Exercise Price not satisfied by such Units' Fair Market Value. A Unit Tender Exercise shall not be permitted if it would constitute a violation of the provisions of any law, regulation or agreement restricting the redemption of the Units. If required by the Board, the Option may not be exercised by tender to the Company, or attestation to the ownership, of Units unless such Units either have been owned by the Participant for a period of time required by the Board (and not used for another option exercise by attestation during such period) or were not acquired, directly or indirectly, from the Company.

(ii) **Cashless Exercise.** A Cashless Exercise shall be permitted only following a conversion of Options into options for shares of stock of a corporation having shares of the same class which have become publicly traded in an established securities market. A "***Cashless Exercise***" means the delivery of a properly executed Exercise Notice together with irrevocable instructions to a broker in a form acceptable to the Board providing for the assignment to the Company of the proceeds of a sale or loan with respect to some or all of the shares being acquired upon the exercise of the Option in an amount not less than the aggregate Exercise Price for such shares (including,

without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of Governors of the Federal Reserve System).

(iii) **Net-Exercise.** A "***Net-Exercise***" means the delivery of a properly executed Exercise Notice electing a procedure pursuant to which (1) the Company will reduce the number of Units otherwise issuable to the Participant upon the exercise of the Option by the largest whole number of Units having a Fair Market Value that does not exceed the aggregate Exercise Price for the Units with respect to which the Option is exercised, and (2) the Participant shall pay to the Company in cash the remaining balance of such aggregate Exercise Price not satisfied by such reduction in the number of whole Units to be issued. Following a Net-Exercise, the number of Units remaining subject to the Option, if any, shall be reduced by the sum of (1) the net number of Units issued to the Participant upon such exercise, and (2) the number of Units deducted by the Company for payment of the aggregate Exercise Price.

4.5 **Tax Withholding.**

(a) ***In General.*** Regardless of any action taken by the Company or any other Participating Company with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related withholding (the "***Tax Obligations***"), the Participant acknowledges that the ultimate liability for all Tax Obligations legally due by the Participant is and remains the Participant's responsibility and that the Company (a) makes no representations or undertakings regarding the treatment of any Tax Obligations in connection with any aspect of the Option, including the grant, vesting or exercise of the Option, the subsequent sale of Units acquired pursuant to such exercise, or the receipt of any dividends and (b) does not commit to structure the terms of the grant or any other aspect of the Option to reduce or eliminate the Participant's liability for Tax Obligations. At the time of exercise of the Option, the Participant shall pay or make adequate arrangements satisfactory to the Company to satisfy all withholding obligations of the Company and any other Participating Company. In this regard, at the time the Option is exercised, in whole or in part, or at any time thereafter as requested by the Company or any other Participating Company, the Participant hereby authorizes withholding of all applicable Tax Obligations from payroll and any other amounts payable to the Participant, and otherwise agrees to make adequate provision for withholding of all applicable Tax Obligations, if any, by each Participating Company which arise in connection with the Option. Alternatively, or in addition, if permissible under applicable law, including Local Law, the Company or any other Participating Company may sell or arrange for the sale of securities acquired by the Participant to satisfy the Tax Obligations. Finally, the Participant shall pay to the Company or any other Participating Company any amount of the Tax Obligations that any such company may be required to withhold as a result of the Participant's participation in the Plan that cannot be satisfied by the means previously described. The Company shall have no obligation to process the exercise of the Option or to deliver Units until the Tax Obligations as described in this Section have been satisfied by the Participant.

(b) ***Withholding in Units.*** If permissible under applicable law, including Local Law, the Company shall have the right, but not the obligation, to require the Participant to satisfy all or any portion of a Participating Company's tax withholding obligations upon exercise of the Option by deducting from the Units otherwise issuable to the Participant upon such exercise a number of whole Units having a Fair Market Value, as determined by the Board as of the date of exercise, not in excess of the amount of such tax withholding obligations determined by the applicable minimum statutory withholding rates.

Notwithstanding the foregoing, this Section 4.5(b) shall not apply to the Option to purchase Units or shares of stock of a corporation either of which is not publicly traded in an established securities market.

4.6 **Beneficial Ownership of Units; Certificate Registration.** The Participant hereby authorizes the Company, in its sole discretion, to deposit for the benefit of the Participant with any broker with which the Participant has an account relationship of which the Company has notice any or all securities acquired by the Participant pursuant to the exercise of the Option. Except as provided by the preceding sentence, Units as to which the Option is exercised shall be registered in book entry form with the Company or its transfer agent or shall be issued in certificate form, in either case registered in the name of the Participant, or, if applicable, in the names of the heirs of the Participant.

4.7 **Restrictions on Grant of the Option and Issuance of Units.** The grant of the Option and the issuance of Units upon exercise of the Option shall be subject to compliance with all applicable requirements of United States federal or state law or Local Law with respect to such securities. The Option may not be exercised if the issuance of Units upon exercise would constitute a violation of any applicable federal, state or foreign securities laws, including Local Law, or other law or regulations or the requirements of any stock exchange or market system upon which the Units may then be listed. In addition, the Option may not be exercised unless (i) a registration statement under the Securities Act shall at the time of exercise of the Option be in effect with respect to the Units issuable upon exercise of the Option or (ii) in the opinion of legal counsel to the Company, the Units issuable upon exercise of the Option may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. Furthermore, except as otherwise determined by the Board, in its discretion, the Option may not be exercised if the number of record holders of Units immediately following such exercise and issuance of Units would exceed ninety percent (90%) of the number of such record holders that would require the Company to register the Units pursuant to Section 12(g) of the Exchange Act, in which case the Board can, among other things, toll the stated exercise period or unilaterally cancel the Option in exchange for a cash payment per share equal to the Fair Market Value on the attempted date of exercise over the Exercise Price. THE PARTICIPANT IS CAUTIONED THAT THE OPTION MAY NOT BE EXERCISED UNLESS THE FOREGOING CONDITIONS ARE SATISFIED. ACCORDINGLY, THE PARTICIPANT MAY NOT BE ABLE TO EXERCISE THE OPTION WHEN DESIRED EVEN THOUGH THE OPTION IS VESTED. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any Units subject to the Option shall relieve the Company of any liability in respect of the failure to issue or sell such Units as to which such requisite authority shall not have been obtained. As a condition to the exercise of the Option, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

4.8 **Fractional Units.** The Company shall not be required to issue fractional Units upon the exercise of the Option.

5. **Nontransferability of the Option.**

During the lifetime of the Participant, the Option shall be exercisable only by the Participant or the Participant's guardian or legal representative. The Option shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. Following the death of the Participant, the Option, to the extent provided in Section 7, may be exercised by the Participant's legal representative or by any person empowered to do so under the deceased Participant's will or under the then applicable laws of descent and distribution.

6. **Termination of the Option.**

The Option shall terminate and may no longer be exercised after the first to occur of (a) the close of business on the Option Expiration Date, (b) the close of business on the last date for exercising the Option following termination of the Participant's Service as described in Section 7, or (c) a Change in Control to the extent provided in Section 8.

7. **Effect of Termination of Service.**

7.1 **Option Exercisability.** The Option shall terminate immediately upon the Participant's termination of Service to the extent that it is then unvested and shall be exercisable after the Participant's termination of Service to the extent it is then vested only during the applicable time period as determined below and thereafter shall terminate.

(a) ***Disability.*** If the Participant's Service terminates because of the Disability of the Participant, the Option, to the extent unexercised and exercisable for Vested Units on the date on which the Participant's Service terminated, may be exercised by the Participant (or the Participant's guardian or legal representative) at any time prior to the expiration of twelve (12) months after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date.

(b) ***Death.*** If the Participant's Service terminates because of the death of the Participant, the Option, to the extent unexercised and exercisable for Vested Units on the date on which the Participant's Service terminated, may be exercised by the Participant's legal representative or other person who acquired the right to exercise the Option by reason of the Participant's death at any time prior to the expiration of twelve (12) months after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date. The Participant's Service shall be deemed to have terminated on account of death if the Participant dies within three (3) months after the Participant's termination of Service.

(c) ***Termination for Cause.*** Notwithstanding any other provision of this Option Agreement, if the Participant's Service is terminated for Cause, the Option shall terminate in its entirety and cease to be exercisable immediately upon such termination of Service.

(d) ***Other Termination of Service.*** If the Participant's Service terminates for any reason, except Disability, death or Cause, the Option, to the extent unexercised and exercisable for Vested Units by the Participant on the date on which the Participant's Service terminated, may be exercised by the Participant at any time prior to the

expiration of three (3) months after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date.

7.2 **Extension if Exercise Prevented by Law.** Notwithstanding the foregoing other than termination of the Participant's Service for Cause, if the exercise of the Option within the applicable time periods set forth in Section 7.1 is prevented by the provisions of Section 4.7, the Option shall remain exercisable until the later of (a) thirty (30) days after the date such exercise first would no longer be prevented by such provisions or (b) the end of the applicable time period under Section 7.1, but in any event no later than the Option Expiration Date.

8. **Effect of Change in Control.**

In the event of a Change in Control, and provided that the Participant's Service has not terminated prior to such date, the Option shall be immediately exercisable and vested in full immediately prior to the consummation of the Change in Control. Except to the extent that the Board determines to cash out the Option in accordance with Section 9.3 of the Plan, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the *"**Acquiror**"*), may, without the consent of the Participant, assume or continue in full force and effect the Company's rights and obligations under all or any portion of the Option or substitute for all or any portion of the Option a substantially equivalent option for the Acquiror's securities. For purposes of this Section, the Option or any portion thereof shall be deemed assumed if, following the Change in Control, the Option confers the right to receive, subject to the terms and conditions of the Plan and this Option Agreement, for each Unit subject to such portion of the Option immediately prior to the Change in Control, the consideration (whether units, stock, cash, other securities or property or a combination thereof) to which a holder of a Unit on the effective date of the Change in Control was entitled; provided, however, that if such consideration is not solely common equity of the Acquiror, the Board may, with the consent of the Acquiror, provide for the consideration to be received upon the exercise of the Option for each Unit to consist solely of common equity of the Acquiror equal in Fair Market Value to the per Unit consideration received by holders of Units pursuant to the Change in Control. If any portion of such consideration may be received by holders of Units pursuant to the Change in Control on a contingent or delayed basis, the Board may, in its discretion, determine such Fair Market Value per Unit as of the time of the Change in Control on the basis of the Board's good faith estimate of the present value of the probable future payment of such consideration. The Option shall terminate and cease to be outstanding effective as of the time of consummation of the Change in Control to the extent that the Option is neither assumed or continued by the Acquiror in connection with the Change in Control nor exercised as of the time of the Change in Control. Notwithstanding the foregoing, Units acquired upon exercise of the Option prior to the Change in Control and any consideration received pursuant to the Change in Control with respect to such Units shall continue to be subject to all applicable provisions of this Option Agreement except as otherwise provided herein.

9. **Adjustments for Changes in Capital Structure.**

Subject to any required action by the members of the Company and the requirements of Sections 409A of the Code to the extent applicable, in the event of any change in the Units effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, Unit dividend, split, reverse split, split-up, split-off, spin-off, combination of

Units, exchange of Units, Solvent Reorganization (as defined by the Operating Agreement) or similar change in the capital structure of the Company, adjustments shall be made as the Board determines appropriate in order to prevent dilution or enlargement of the Participant's rights under the Option, including, without limitation, (i) adjusting the number and/or kind of Units subject to the Option, (ii) adjusting the Exercise Price, (iii) adjusting the Vesting Conditions; (iv) providing for substitute awards, accelerating exercisability and/or vesting, effecting the lapse of restrictions and the termination of the Option, and/or providing for a period of time to exercise the Option prior to the applicable event; and/or (v) cancelling the Option; provided, however, that in the case of any "equity restructuring" (within the meaning of the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004), the Board shall make an equitable or proportionate adjustment to the Option to reflect such equity restructuring. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." Any fractional Unit resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number, and the Exercise Price shall be rounded up to the nearest whole cent. Such adjustments shall be determined by the Board, and its determination shall be final, binding and conclusive.

10. **Rights as a Member, Manager, Employee or Consultant.**

The Participant shall have no rights as a member with respect to any Units covered by the Option until the date of the issuance of the Units for which the Option has been exercised (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date the Units are issued, except as provided in Section 9. If the Participant is an Employee, the Participant understands and acknowledges that, except as otherwise provided in a separate, written employment agreement between a Participating Company and the Participant, the Participant's employment is "at will" and is for no specified term. Nothing in this Option Agreement shall confer upon the Participant any right to continue in the Service of a Participating Company or interfere in any way with any right of the Participating Company Group to terminate the Participant's Service as a Manager, an Employee or Consultant, as the case may be, at any time.

11. **Right of First Refusal.**

11.1 **Grant of Right of First Refusal.** Except as provided in Section 11.7 and Section 16 below, in the event the Participant, the Participant's legal representative, or other holder of Units acquired upon exercise of the Option proposes to sell, exchange, transfer, pledge, or otherwise dispose of any Vested Units (the "***Transfer Units***") to any person or entity, including, without limitation, any securities holder of a Participating Company, the Company shall have the right to repurchase the Transfer Units under the terms and subject to the conditions set forth in this Section 11 (the "***Right of First Refusal***").

11.2 **Notice of Proposed Transfer.** Prior to any proposed transfer of the Transfer Units, the Participant shall deliver written notice (the "***Transfer Notice***") to the Company describing fully the proposed transfer, including the number of Transfer Units, the name and address of the proposed transferee (the "***Proposed Transferee***") and, if the transfer is voluntary, the proposed transfer price, and containing such information necessary to show the bona fide nature of the proposed transfer. In the event of a bona fide gift or involuntary transfer, the proposed transfer price shall be deemed to be the Fair Market Value of the

Transfer Units, as determined by the Board in good faith. If the Participant proposes to transfer any Transfer Units to more than one Proposed Transferee, the Participant shall provide a separate Transfer Notice for the proposed transfer to each Proposed Transferee. The Transfer Notice shall be signed by both the Participant and the Proposed Transferee and must constitute a binding commitment of the Participant and the Proposed Transferee for the transfer of the Transfer Units to the Proposed Transferee subject only to the Right of First Refusal.

11.3 **Bona Fide Transfer.** If the Company determines that the information provided by the Participant in the Transfer Notice is insufficient to establish the bona fide nature of a proposed voluntary transfer, the Company shall give the Participant written notice of the Participant's failure to comply with the procedure described in this Section 11, and the Participant shall have no right to transfer the Transfer Units without first complying with the procedure described in this Section 11. The Participant shall not be permitted to transfer the Transfer Units if the proposed transfer is not bona fide.

11.4 **Exercise of Right of First Refusal.** If the Company determines the proposed transfer to be bona fide, the Company shall have the right to purchase all, but not less than all, of the Transfer Units (except as the Company and the Participant otherwise agree) at the purchase price and on the terms set forth in the Transfer Notice by delivery to the Participant of a notice of exercise of the Right of First Refusal within thirty (30) days after the date the Transfer Notice is delivered to the Company. The Company's exercise or failure to exercise the Right of First Refusal with respect to any proposed transfer described in a Transfer Notice shall not affect the Company's right to exercise the Right of First Refusal with respect to any proposed transfer described in any other Transfer Notice, whether or not such other Transfer Notice is issued by the Participant or issued by a person other than the Participant with respect to a proposed transfer to the same Proposed Transferee. If the Company exercises the Right of First Refusal, the Company and the Participant shall thereupon consummate the sale of the Transfer Units to the Company on the terms set forth in the Transfer Notice within sixty (60) days after the date the Transfer Notice is delivered to the Company (unless a longer period is offered by the Proposed Transferee); provided, however, that in the event the Transfer Notice provides for the payment for the Transfer Units other than in cash, the Company shall have the option of paying for the Transfer Units by the present value cash equivalent of the consideration described in the Transfer Notice as reasonably determined by the Company. For purposes of the foregoing, cancellation of any indebtedness of the Participant to any Participating Company shall be treated as payment to the Participant in cash to the extent of the unpaid principal and any accrued interest canceled. Notwithstanding anything contained in this Section to the contrary, the period during which the Company may exercise the Right of First Refusal and consummate the purchase of the Transfer Units from the Participant shall terminate no sooner than the later of (a) the date eight (8) months following the date on which the Participant acquired the Transfer Units upon exercise of the Option or (b) the date thirty (30) days after the date that exercise of the Right of First Refusal and payment for the Transfer Units would no longer be prevented by the provisions of any law, regulation or agreement that would prohibit the redemption by the Company of the Transfer Units.

11.5 **Failure to Exercise Right of First Refusal.** If the Company fails to exercise the Right of First Refusal in full (or to such lesser extent as the Company and the Participant otherwise agree) within the period specified in Section 11.4 above, the Participant may conclude a transfer to the Proposed Transferee of the Transfer Units on the terms and

conditions described in the Transfer Notice, provided such transfer occurs not later than ninety (90) days following delivery to the Company of the Transfer Notice or, if applicable, following the end of the period described in the last sentence of Section 11.4. The Company shall have the right to demand further assurances from the Participant and the Proposed Transferee (in a form satisfactory to the Company) that the transfer of the Transfer Units was actually carried out on the terms and conditions described in the Transfer Notice. No Transfer Units shall be transferred on the books of the Company until the Company has received such assurances, if so demanded, and has approved the proposed transfer as bona fide. Any proposed transfer on terms and conditions different from those described in the Transfer Notice, as well as any subsequent proposed transfer by the Participant, shall again be subject to the Right of First Refusal and shall require compliance by the Participant with the procedure described in this Section 11.

11.6 **Transferees of Transfer Units.** All transferees of the Transfer Units or any interest therein, other than the Company, shall be required as a condition of such transfer to agree in writing (in a form satisfactory to the Company) that such transferee shall receive and hold such Transfer Units or interest therein subject to all of the terms and conditions of this Option Agreement, including this Section 11 providing for the Right of First Refusal with respect to any subsequent transfer. Any sale or transfer of any Units acquired upon exercise of the Option shall be void unless the provisions of this Section 11 are met.

11.7 **Transfers Not Subject to Right of First Refusal.** The Right of First Refusal shall not apply to any transfer or exchange of the Units acquired upon exercise of the Option if such transfer or exchange is in connection with an Ownership Change Event. If the consideration received pursuant to such transfer or exchange consists of securities of a Participating Company, such consideration shall remain subject to the Right of First Refusal unless the provisions of Section 11.9 below result in a termination of the Right of First Refusal.

11.8 **Assignment of Right of First Refusal.** The Company shall have the right to assign the Right of First Refusal at any time, whether or not there has been an attempted transfer, to one or more persons as may be selected by the Company.

11.9 **Early Termination of Right of First Refusal.** The other provisions of this Option Agreement notwithstanding, the Right of First Refusal shall terminate and be of no further force and effect upon the existence of a public market for the class of securities subject to the Right of First Refusal. A *"**public market**"* shall be deemed to exist if (i) such securities are listed on a national securities exchange (as that term is used in the Exchange Act) or (ii) such securities are traded on the over-the-counter market and prices therefor are published daily on business days in a recognized financial journal.

12. **VESTED UNIT REPURCHASE OPTION.**

12.1 **Grant of Vested Unit Repurchase Option.** Except as provided in Section 12.4 below, in the event of the occurrence of any Repurchase Event, as defined below, the Company shall have the right to repurchase the Units acquired by the Participant pursuant to the Option (the *"**Repurchase Units**"*) under the terms and subject to the conditions set forth in this Section (the *"**Vested Unit Repurchase Option**"*). Each of the following events shall constitute a *"**Repurchase Event**"*:

(a) Termination of the Participant's Service for any reason or no reason, with or without cause, including death or Disability. The Repurchase Period, as defined below, shall commence on the date of termination of the Participant's Service.

(b) The Participant, the Participant's legal representative, or other holder of Units acquired upon exercise of the Option attempts to sell, exchange, transfer, pledge, or otherwise dispose of any Repurchase Units without complying with the provisions of Section 11. The Repurchase Period, as defined below, shall commence on the date the Company receives actual notice of such attempted sale, exchange, transfer, pledge or other disposition.

(c) The receivership, bankruptcy or other creditor's proceeding regarding the Participant or the taking of any of the Participant's Units by legal process, such as a levy of execution. The Repurchase Period, as defined below, shall commence on the date the Company receives actual notice of the commencement of pendency of the receivership, bankruptcy or other creditor's proceeding or the date of such taking, as the case may be. The Fair Market Value of the Repurchase Units shall be determined as of the last day of the month preceding the month in which the proceeding involved commenced or the taking occurred.

12.2 **Exercise of Vested Unit Repurchase Option.** The Company may exercise the Vested Unit Repurchase Option by written notice to the Participant, the Participant's legal representative, or other holder of the Repurchase Units, as the case may be, during the Repurchase Period. The "***Repurchase Period***" shall be the period commencing at the time set forth in Section 12.1 above and ending on the later of (a) the date ninety (90) days after the commencement of the Repurchase Period or (b) the date nine (9) months after the Option is last exercised; provided, however, that if the redemption by the Company of the Repurchase Units during any portion of the Repurchase Period would violate the provisions of any law, regulation or agreement, the Vested Unit Repurchase Option shall remain exercisable until the later of (the "*Extended Repurchase Period*") (a) thirty (30) days after the date such exercise would no longer be prevented by such provisions or (b) the end of the Repurchase Period. If the Company fails to give notice during the Repurchase Period or the Extended Repurchase period, as applicable, the Vested Unit Repurchase Option shall terminate (unless the Company and the Participant have extended the time for the exercise of the Vested Unit Repurchase Option) unless and until there is a subsequent Repurchase Event. Notwithstanding a termination of the Vested Unit Repurchase Option, the remaining provisions of this Option Agreement shall remain in full force and effect, including, without limitation, the Right of First Refusal set forth in Section 11. If there is a subsequent Repurchase Event, the Vested Unit Repurchase Option shall again become exercisable as provided in this Section 12. The Vested Unit Repurchase Option must be exercised, if at all, for all of the Repurchase Units, except as the Company and the Participant otherwise agree.

12.3 **Payment for Repurchase Units.** The repurchase price per Unit being repurchased by the Company pursuant to the Vested Unit Repurchase Option shall be an amount equal to the Fair Market Value of the Units determined as of the date of the Repurchase Event (except as otherwise provided in Section 12.1(c)) by the Board in good faith; provided, however, that if the Repurchase Event is the termination of the Participant's Service for Cause, the repurchase price per Unit shall be the lesser of such Fair Market Value or the Exercise Price paid by the Participant to acquire such Unit. Payment by the Company to the Participant shall be made in cash on or before the last day of the Repurchase Period. For purposes of the foregoing, cancellation of any indebtedness of the Participant to any

Participating Company shall be treated as payment to the Participant in cash to the extent of the unpaid principal and any accrued interest canceled.

12.4 **Transfers Not Subject to Vested Unit Repurchase Option.** The Vested Unit Repurchase Option shall not apply to any transfer or exchange of Units acquired upon exercise of the Option if such transfer or exchange is in connection with an Ownership Change Event. If the consideration received pursuant to such transfer or exchange consists of securities of a Participating Company, such consideration will remain subject to the Vested Unit Repurchase Option unless the provisions of Section 12.6 result in a termination of the Vested Unit Repurchase Option.

12.5 **Assignment of Vested Unit Repurchase Option.** The Company shall have the right to assign the Vested Unit Repurchase Option at any time, whether or not such option is then exercisable, to one or more persons as may be selected by the Company.

12.6 **Early Termination of Vested Unit Repurchase Option.** The other provisions of this Option Agreement notwithstanding, the Vested Unit Repurchase Option shall terminate and be of no further force and effect upon the existence of a public market, as defined in Section 11.9, for the class of securities subject to the Vested Unit Repurchase Option.

13. **Distributions Subject to Option Agreement.**

If, from time to time, there is any Unit dividend, split or other change, as described in Section 9, in the character or amount of any of the outstanding securities of the entity the securities of which is subject to the provisions of this Option Agreement, then in such event any and all new, substituted or additional securities to which the Participant is entitled by reason of the Participant's ownership of the Units acquired upon exercise of the Option shall be immediately subject to the Right of First Refusal and the Vested Unit Repurchase Option with the same force and effect as the Units subject to the Right of First Refusal and the Vested Unit Repurchase Option immediately before such event.

14. **Legends.**

If the Units are at any time evidenced by certificates, the Company may at any time place legends referencing the Right of First Refusal, the Vested Unit Repurchase Option and any applicable federal, state or foreign securities law, including Local Law, restrictions on all certificates representing the securities subject to the provisions of this Option Agreement. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing securities acquired pursuant to the Option in the possession of the Participant in order to carry out the provisions of this Section. Unless otherwise specified by the Company, legends placed on such certificates may include, but shall not be limited to, the following:

14.1 "THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR QUALIFIED UNDER ANY STATE SECURITIES LAWS AND, AS SUCH, THEY MAY NOT BE OFFERED FOR SALE, SOLD, DELIVERED AFTER SALE, TRANSFERRED, PLEDGED, OR HYPOTHECATED IN THE ABSENCE OF SUCH REGISTRATION IN THE UNITED

STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S UNDER THE SECURITIES ACT, PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO REGISTRATION UNDER THE SECURITIES ACT. THE HOLDER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE AGREES NOT TO ENGAGE IN HEDGING TRANSACTIONS WITH REGARD TO THE SECURITIES UNLESS IN COMPLIANCE WITH THE SECURITIES ACT."

14.2 "THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND REPURCHASE OPTIONS IN FAVOR OF THE CORPORATION OR ITS ASSIGNEE SET FORTH IN AN AGREEMENT BETWEEN THE CORPORATION AND THE REGISTERED HOLDER, OR SUCH HOLDER' S PREDECESSOR IN INTEREST, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THIS CORPORATION."

15. **Lock-Up Agreement.**

The Participant hereby agrees that in the event of any underwritten public offering of securities, including an initial public offering of securities, made by the Company pursuant to an effective registration statement filed under the Securities Act, the Participant shall not offer, sell, contract to sell, pledge, hypothecate, grant any option to purchase or make any short sale of, or otherwise dispose of any securities of the Company or any rights to acquire securities of the Company for such period of time from and after the effective date of such registration statement as may be established by the underwriter for such public offering; provided, however, that such period of time shall not exceed one hundred eighty (180) days from the effective date of the registration statement to be filed in connection with such public offering; provided, further, however, that such one hundred eighty (180) day period may be extended for an additional period, not to exceed twenty (20) days, upon the request of the Company or the underwriter to accommodate regulatory restrictions on (i) the publication or other distribution of research reports and (ii) analyst recommendations and opinions, including but not limited to, the restrictions contained in NASD Rule 2711(f)(4) or NYSE Rule 472(f)(4), or any successor provisions or amendments thereto). The foregoing limitation shall not apply to securities registered in the public offering under the Securities Act. The Participant hereby agrees to enter into any agreement reasonably required by the underwriters to implement the foregoing within a reasonable timeframe if so requested by the Company.

16. **Restrictions on Transfer of Units.**

No Units acquired upon exercise of the Option may be sold, exchanged, transferred (including, without limitation, any transfer to a nominee or agent of the Participant), assigned, pledged, hypothecated or otherwise disposed of, including by operation of law in any manner which violates any of the provisions of this Option Agreement or the Operating Agreement, and any such attempted disposition shall be void. The Company shall not be required (a) to transfer on its books any Units which will have been transferred in violation of any of the provisions set forth in this Option Agreement or the Operating Agreement or (b) to treat as owner of such Units or to accord the right to vote as such owner or to pay dividends to any transferee to whom such Units will have been so transferred.

17. **MISCELLANEOUS PROVISIONS.**

17.1 **Termination or Amendment.** The Board may terminate or amend the Plan or the Option at any time; provided, however, that except as provided in Section 8 in connection with a Change in Control, no such termination or amendment may have a materially adverse effect on the Option or any unexercised portion hereof without the consent of the Participant unless such termination or amendment is necessary to comply with any applicable law or government regulation. No amendment or addition to this Option Agreement shall be effective unless in writing.

17.2 **Further Instruments.** The parties hereto agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Option Agreement.

17.3 **Binding Effect.** This Option Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon the Participant and the Participant's heirs, executors, administrators, successors and assigns.

17.4 **Delivery of Documents and Notices.** Any document relating to participation in the Plan, or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Option Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Participant by a Participating Company, or upon deposit in the U.S. Post Office or foreign postal service, by registered or certified mail, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed to the other party at the address of such party set forth in the Grant Notice or at such other address as such party may designate in writing from time to time to the other party.

(a) **Description of Electronic Delivery.** The Plan documents, which may include but do not necessarily include: the Plan, the Grant Notice, this Option Agreement, the Operating Agreement and any reports of the Company provided generally to the Company's Unit holders, may be delivered to the Participant electronically. In addition, if permitted by the Company, the Participant may deliver electronically the Grant Notice and Exercise Notice called for by Section 4.2 to the Company or to such third party involved in administering the Plan as the Company may designate from time to time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the Internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.

(b) **Consent to Electronic Delivery.** The Participant acknowledges that the Participant has read Section 17.4(a) of this Option Agreement and consents to the electronic delivery of the Plan documents and, if permitted by the Company, the delivery of the Grant Notice and Exercise Notice, as described in Section 17.4(a). The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the

Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Section 17.4(a) or may change the electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 17.4(a).

17.5 **Integrated Agreement.** The Grant Notice, this Option Agreement and the Plan, together with the Operating Agreement and any employment, service or other agreement with the Participant and a Participating Company referring to the Option, shall constitute the entire understanding and agreement of the Participant and the Participating Company Group with respect to the subject matter contained herein or therein and supersede any prior agreements, understandings, restrictions, representations, or warranties among the Participant and the Participating Company Group with respect to such subject matter. To the extent contemplated herein or therein, the provisions of the Grant Notice, the Option Agreement, the Plan and the Operating Agreement shall survive any exercise of the Option and shall remain in full force and effect.

17.6 **Applicable Law.** This Option Agreement shall be governed by the laws of the State of California as such laws are applied to agreements between California residents entered into and to be performed entirely within the State of California. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties as evidenced by this Option Agreement, the parties hereby submit to and consent to the jurisdiction of the State of California and agree that such litigation shall be conducted only in the courts of the County of Santa Clara, California, or the federal courts of the United States for the Northern District of California, and no other courts, where this Option Agreement is made and/or performed.

17.7 **Counterparts.** The Grant Notice may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Participant: _____

Date: _____

UNIT OPTION EXERCISE NOTICE

MagnaChip Semiconductor LLC
Attention: General Counsel

_____

_____

Ladies and Gentlemen:

1. **Option.** I was granted an option (the "***Option***") to purchase Common Units (the "***Units***") of MagnaChip Semiconductor LLC (the "***Company***") pursuant to the Company's 2009 Common Unit Plan (the "***Plan***"), my Notice of Grant of Unit Option (the "***Grant Notice***") and my Option Agreement (the "***Option Agreement***") as follows:

Date of Grant:	_____
Number of Option Units:	_____
Exercise Price per Unit:	US$ _____

2. **Exercise of Option.** I hereby elect to exercise the Option to purchase the following number of Units, all of which are Vested Units, in accordance with the Grant Notice and the Option Agreement:

Total Units Purchased:	_____
Total Exercise Price (Total Units X Price per Unit)	US$ _____

3. **Payments.** I enclose payment in full of the total exercise price for the Units in the following form(s), as authorized by my Option Agreement:

Cash:	US$ _____
Check:	US$ _____
Unit Tender Exercise:	Contact Plan Administrator
Cashless Exercise:	Contact Plan Administrator
Net Exercise:	Contact Plan Administrator

4. **Tax Withholding.** I authorize payroll withholding and otherwise will make adequate provision for the federal, state, local and foreign tax withholding obligations of the Company, if any, in connection with the Option. I enclose payment in full of my withholding taxes, if any, as follows:

(Contact Plan Administrator for amount of tax due.)

Check:	US$ _____
Unit Withholding:	Contact Plan Administrator

5. **Participant Information**.

My address is: _____

_____

My Tax Identification Number is: _____

6. **Binding Effect.** I agree that the Units are being acquired in accordance with and subject to the terms, provisions and conditions of the Grant Notice, the Option Agreement, including the Right of First Refusal and Vested Unit Repurchase Option set forth therein, the Plan and the Operating Agreement, to all of which I hereby expressly assent. This Agreement shall inure to the benefit of and be binding upon my heirs, executors, administrators, successors and assigns.

7. **Joinder Agreement.** I have executed and am hereby delivering to the Company along with this Exercise Notice a Joinder Agreement, pursuant to which I agree to become a party to, to by bound by, and to comply with all of the provisions of the Operating Agreement.

8. **Transfer.** I understand, acknowledge and agree that:

(a) The Units have not been, and there is no assurance that the Units will ever be, registered under the Securities Act, and in issuing the Units to me, the Company is relying upon the "safe harbor" provided by Regulation S under the Securities Act;

(b) It is a condition to the availability of the Regulation S "safe harbor" that the Units not be offered or sold in the United States or to a U.S. person until the expiration of a period of one year (or six months if the Company is a "reporting issuer" (as defined in Regulation S)) following the purchase of the Units (the "***Distribution Compliance Period***");

(c) Until the expiration of the Distribution Compliance Period:

(i) I have not and will not solicit offers to buy, offer for sale or sell any of the Units or any beneficial interest therein in the United States or to or for the account of a U.S. Person;

(ii) Notwithstanding the foregoing, prior the expiration of the Distribution Compliance Period, the Units may be offered and sold by me only if: (A) the Units are offered and sold pursuant to an effective registration statement or pursuant to an exemption from the registration requirements of the Securities Act if the offer or sale is within the United States or for the account of a U.S. person (as such terms are defined in Regulation S); or (B) the offer and sale is outside the United States and to other than a U.S. person; and

(iii) The foregoing restrictions are binding upon subsequent transferees of the Units, except for transferees pursuant to an effective registration statement.

I agree that after the Distribution Compliance Period, the Units may be offered or sold within the United States or to or for the account of a U.S. person only pursuant to applicable securities laws.

(d) I have not engaged, nor am I aware that any party has engaged, and I will not engage or cause any third party to engage, in any directed selling efforts (as such term is defined in Regulation S) in the United States with respect to the Units;

(e) I am not a "distributor" (as defined in Regulation S) or a "dealer" (as defined in the Securities Act); and

(f) I acknowledge that the Company shall make a notation in its stock books regarding the restrictions on transfer set forth in this Section 8 and shall transfer Units on the books of the Company only to the extent consistent herewith. In particular, I acknowledge that the Company shall refuse to register any transfer of the Units not made in accordance with the provisions of Regulation S, pursuant to registration under the Securities Act or pursuant to an available exemption from registration.

(g) I will notify any purchaser of the Units of the restrictions relating to the Units noted herewith.

(h) I have the full power and authority to deliver these representations in connection with my purchase of the Units.

(i) I acknowledge that the Company is entitled to rely on the truth and accuracy of the foregoing representations and warranties and that the foregoing representations and warranties will survive my admission as a member of the Company.

(j) I acknowledge that these representations and warranties may be translated into one or more languages other than English. In case of any inconsistency between the English version of these representations and warranties and a version in any other language, the English version shall prevail. In the event I execute and deliver a non-English version of these representations and warranties, such execution and delivery will also be deemed to be execution and delivery of the English version of these representations and warranties.

(k) I represent and warrant that the above acknowledgements, representations and agreements are true and accurate as of the date hereof. I also agree to inform the Company should any of the information contained in these representations and warranties cease to be true and/or accurate. I acknowledge that in the event I do not inform the Company of any change to the information contained in these representations and warranties, the Company and its respective professional advisers will be entitled to continue to rely on the truth and accuracy of the foregoing representations and warranties until and including the date I purchase the Units.

I understand that I am purchasing the Units pursuant to the terms of the Plan, the Grant Notice, my Option Agreement and the Operating Agreement, copies of which I have received and carefully read and understand.

Very truly yours,

_____

(Signature)

Receipt of the above is hereby acknowledged.

MagnaChip Semiconductor LLC

By: _____

Title: _____

Dated: _____

THE SECURITIES WHICH ARE THE SUBJECT OF THIS AGREEMENT HAVE NOT BEEN QUALIFIED WITH THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA AND THE ISSUANCE OF SUCH SECURITIES OR THE PAYMENT OR RECEIPT OF ANY PART OF THE CONSIDERATION THEREFOR PRIOR TO SUCH QUALIFICATION IS UNLAWFUL, UNLESS THE SALE OF SECURITIES IS EXEMPT FROM QUALIFICATION BY SECTION 25100, 25102, OR 25105 OF THE CALIFORNIA CORPORATIONS CODE. THE RIGHTS OF ALL PARTIES TO THIS AGREEMENT ARE EXPRESSLY CONDITIONED UPON SUCH QUALIFICATION BEING OBTAINED, UNLESS THE SALE IS SO EXEMPT.

THE SECURITIES WHICH ARE THE SUBJECT OF THIS AGREEMENT HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH SALE OR DISPOSITION MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933.

MAGNACHIP SEMICONDUCTOR LLC
OPTION AGREEMENT
[US Participants]

MagnaChip Semiconductor LLC has granted to the Participant named in the *Notice of Grant of Unit Option* (the "***Grant Notice***") to which this Option Agreement (the "***Option Agreement***") is attached an option (the "***Option***") to purchase certain Units upon the terms and conditions set forth in the Grant Notice and this Option Agreement. The Option has been granted pursuant to and shall in all respects be subject to the terms and conditions of the MagnaChip Semiconductor LLC 2009 Common Unit Plan (the "***Plan***"), as amended to the Date of Grant, the provisions of which are incorporated herein by reference. By signing the Grant Notice, the Participant: (a) acknowledges receipt of, and represents that the Participant has read and is familiar with, the Grant Notice, this Option Agreement, the Plan and the Operating Agreement, (b) accepts the Option subject to all of the terms and conditions of the Grant Notice, Option Agreement, the Plan and the Operating Agreement, and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Board upon any questions arising under such documents.

1. **Definitions and Construction.**

1.1 **Definitions.** Unless otherwise defined herein, capitalized terms shall have the meanings assigned to such terms in the Grant Notice or the Plan.

1.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Option Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

2. **Tax Status of Option.**

This Option is intended to be a nonstatutory option and shall not be treated as an incentive stock option within the meaning of Section 422(b) of the Code.

3. **Administration.**

All questions of interpretation concerning the Grant Notice, this Option Agreement and the Plan, the Operating Agreement, and any other form of agreement or other document employed by the Board or the Company in the administration of the Plan or the Option shall be determined by the Board. All such determinations by the Board shall be final, binding and conclusive upon all persons having an interest in the Option, unless fraudulent or made in bad faith. Any and all actions, decisions and determinations taken or made by the Board in the exercise of its discretion pursuant to the Plan or the Option or other agreement thereunder (other than determining questions of interpretation pursuant to the preceding sentence) shall be final, binding and conclusive upon all persons having an interest in the Option. Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, or election which is the responsibility of or which is allocated to the Company herein, provided the Officer has actual authority with respect to such matter, right, obligation, or election.

4. **Exercise of the Option.**

4.1 **Right to Exercise**. Except as otherwise provided herein, the Option shall be exercisable on and after the Initial Vesting Date and prior to the termination of the Option (as provided in Section 6) in an amount not to exceed the number of Vested Units less the number of Units previously acquired upon exercise of the Option, subject to the Company's repurchase rights set forth in Section 11 and Section 12. In no event shall the Option be exercisable for more Units than the Number of Option Units, as adjusted pursuant to Section 9.

4.2 **Method of Exercise.** Exercise of the Option shall be by means of electronic or written notice (the "***Exercise Notice***") in a form authorized by the Company. An electronic Exercise Notice must be digitally signed or authenticated by the Participant in such manner as required by the notice and transmitted to the Company or an authorized representative of the Company (including a third-party administrator designated by the Company). In the event that the Participant is not authorized or is unable to provide an electronic Exercise Notice, the Option shall be exercised by a written Exercise Notice addressed to the Company, which shall be signed by the Participant and delivered in person, by certified or registered mail, return receipt requested, by confirmed facsimile transmission, or by such other means as the Company may permit, to the Company, or an authorized representative of the Company (including a third-party administrator designated by the Company). Each Exercise Notice, whether electronic or written, must state the Participant's election to exercise the Option, the number of whole Units for which the Option is being exercised and such other representations and agreements as to the Participant's investment intent with respect to such Units as may be required pursuant to the provisions of this Option Agreement. Further, each Exercise Notice must be received by the Company prior to the termination of the Option as set forth in Section 6 and must be accompanied by (a) full payment of the aggregate Exercise Price for the number of Units being purchased and (b) such executed documents, if any, as may be required pursuant to Section 4.3. The Option shall be deemed to be exercised upon receipt by the Company of such electronic or written

Exercise Notice, the aggregate Exercise Price, and, if required by the Company, such additional executed documents.

4.3 **Issuance of Units Subject to Operating Agreement.** If required by the Board, the Participant shall not be entitled to acquire any Units pursuant to this Option and to be admitted as a member of the Company thereby unless and until the Participant has executed and delivered to the Company a written undertaking in a form acceptable to the Board to be bound by the terms and conditions of the Operating Agreement and/or any lock-up or other documents the Board reasonably determines to be necessary or appropriate in connection with the issuance of such Units.

4.4 **Payment of Exercise Price.**

(a) ***Forms of Consideration Authorized.*** Except as otherwise provided below, payment of the aggregate Exercise Price for the number of Units for which the Option is being exercised shall be made (i) in cash, by check or in cash equivalent, (ii) if permitted by the Board and subject to the limitations contained in Section 4.4(b), by means of (1) a Unit Tender Exercise, (2) a Cashless Exercise, or (3) a Net-Exercise; or (iii) by any combination of the foregoing.

(b) ***Limitations on Forms of Consideration.*** The Board reserves, at any and all times, the right, in the Board's sole and absolute discretion, to establish, decline to approve or terminate any program or procedure providing for payment of the Exercise Price through any of the means described below, including with respect to the Participant notwithstanding that such program or procedures may be available to others.

(i) **Unit Tender Exercise.** A *"**Unit Tender Exercise**"* means the delivery of a properly executed Exercise Notice accompanied by (1) the Participant's tender to the Company, or attestation to the ownership, in a form acceptable to the Board of whole Units having a Fair Market Value that does not exceed the aggregate Exercise Price for the Units with respect to which the Option is exercised, and (2) the Participant's payment to the Company in cash of the remaining balance of such aggregate Exercise Price not satisfied by such Units' Fair Market Value. A Unit Tender Exercise shall not be permitted if it would constitute a violation of the provisions of any law, regulation or agreement restricting the redemption of the Units. If required by the Board, the Option may not be exercised by tender to the Company, or attestation to the ownership, of Units unless such Units either have been owned by the Participant for a period of time required by the Board (and not used for another option exercise by attestation during such period) or were not acquired, directly or indirectly, from the Company.

(ii) **Cashless Exercise.** A Cashless Exercise shall be permitted only following a conversion of Options into options for shares of stock of a corporation having shares of the same class which have become publicly traded in an established securities market. A *"**Cashless Exercise**"* means the delivery of a properly executed Exercise Notice together with irrevocable instructions to a broker in a form acceptable to the Board providing for the assignment to the Company of the proceeds of a sale or loan with respect to some or all of the shares being acquired upon the exercise of the Option in an amount not less than the aggregate Exercise Price for such shares (including, without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of Governors of the Federal Reserve System).

(iii) **Net-Exercise.** A "***Net-Exercise***" means the delivery of a properly executed Exercise Notice electing a procedure pursuant to which (1) the Company will reduce the number of Units otherwise issuable to the Participant upon the exercise of the Option by the largest whole number of Units having a Fair Market Value that does not exceed the aggregate Exercise Price for the Units with respect to which the Option is exercised, and (2) the Participant shall pay to the Company in cash the remaining balance of such aggregate Exercise Price not satisfied by such reduction in the number of whole Units to be issued. Following a Net-Exercise, the number of Units remaining subject to the Option, if any, shall be reduced by the sum of (1) the net number of Units issued to the Participant upon such exercise, and (2) the number of Units deducted by the Company for payment of the aggregate Exercise Price.

4.5 **Tax Withholding.**

(a) ***In General.*** At the time the Option is exercised, in whole or in part, or at any time thereafter as requested by a Participating Company, the Participant hereby authorizes withholding from payroll and any other amounts payable to the Participant, and otherwise agrees to make adequate provision for any sums required to satisfy the federal, state, local and foreign tax (including any social insurance) withholding obligations of the Participating Company Group, if any, which arise in connection with the Option. The Company shall have no obligation to deliver Units until the tax withholding obligations of the Participating Company Group have been satisfied by the Participant.

(b) ***Withholding in Units.*** The Company shall have the right, but not the obligation, to require the Participant to satisfy all or any portion of a Participating Company's tax withholding obligations upon exercise of the Option by deducting from the Units otherwise issuable to the Participant upon such exercise a number of whole Units having a Fair Market Value, as determined by the Board as of the date of exercise, not in excess of the amount of such tax withholding obligations determined by the applicable minimum statutory withholding rates. Notwithstanding the foregoing, this Section 4.5(b) shall not apply to the Option to purchase Units or shares of stock of a corporation either of which is not publicly traded in an established securities market.

4.6 **Beneficial Ownership of Units; Certificate Registration.** The Participant hereby authorizes the Company, in its sole discretion, to deposit for the benefit of the Participant with any broker with which the Participant has an account relationship of which the Company has notice any or all securities acquired by the Participant pursuant to the exercise of the Option. Except as provided by the preceding sentence, Units as to which the Option is exercised shall be registered in book entry form with the Company or its transfer agent or shall be issued in certificate form, in either case registered in the name of the Participant, or, if applicable, in the names of the heirs of the Participant.

4.7 **Restrictions on Grant of the Option and Issuance of Units.** The grant of the Option and the issuance of Units upon exercise of the Option shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. The Option may not be exercised if the issuance of Units upon exercise would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Units may then be listed. In addition, the Option may not be exercised unless (i) a registration statement under the Securities Act shall at the time of exercise of the Option be in effect with respect to the Units issuable upon exercise of the Option or (ii) in the opinion of

legal counsel to the Company, the Units issuable upon exercise of the Option may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. Furthermore, except as otherwise determined by the Board, in its discretion, the Option may not be exercised if the number of record holders of Units immediately following such exercise and issuance of Units would exceed ninety percent (90%) of the number of such record holders that would require the Company to register the Units pursuant to Section 12(g) of the Exchange Act, in which case the Board can, among other things, toll the stated exercise period or unilaterally cancel the Option in exchange for a cash payment per share equal to the Fair Market Value on the attempted date of exercise over the Exercise Price. THE PARTICIPANT IS CAUTIONED THAT THE OPTION MAY NOT BE EXERCISED UNLESS THE FOREGOING CONDITIONS ARE SATISFIED. ACCORDINGLY, THE PARTICIPANT MAY NOT BE ABLE TO EXERCISE THE OPTION WHEN DESIRED EVEN THOUGH THE OPTION IS VESTED. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any Units subject to the Option shall relieve the Company of any liability in respect of the failure to issue or sell such Units as to which such requisite authority shall not have been obtained. As a condition to the exercise of the Option, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

4.8 **Fractional Units.** The Company shall not be required to issue fractional Units upon the exercise of the Option.

5. **Nontransferability of the Option.**

During the lifetime of the Participant, the Option shall be exercisable only by the Participant or the Participant's guardian or legal representative. The Option shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. Following the death of the Participant, the Option, to the extent provided in Section 7, may be exercised by the Participant's legal representative or by any person empowered to do so under the deceased Participant's will or under the then applicable laws of descent and distribution.

6. **Termination of the Option.**

The Option shall terminate and may no longer be exercised after the first to occur of (a) the close of business on the Option Expiration Date, (b) the close of business on the last date for exercising the Option following termination of the Participant's Service as described in Section 7, or (c) a Change in Control to the extent provided in Section 8.

7. **Effect of Termination of Service.**

7.1 **Option Exercisability.** The Option shall terminate immediately upon the Participant's termination of Service to the extent that it is then unvested and shall be exercisable after the Participant's termination of Service to the extent it is then vested only during the applicable time period as determined below and thereafter shall terminate.

(a) ***Disability.*** If the Participant's Service terminates because of the Disability of the Participant, the Option, to the extent unexercised and exercisable for Vested Units on the date on which the Participant's Service terminated, may be exercised by the Participant (or the Participant's guardian or legal representative) at any time prior to the expiration of twelve (12) months after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date.

(b) ***Death.*** If the Participant's Service terminates because of the death of the Participant, the Option, to the extent unexercised and exercisable for Vested Units on the date on which the Participant's Service terminated, may be exercised by the Participant's legal representative or other person who acquired the right to exercise the Option by reason of the Participant's death at any time prior to the expiration of twelve (12) months after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date. The Participant's Service shall be deemed to have terminated on account of death if the Participant dies within three (3) months after the Participant's termination of Service.

(c) ***Termination for Cause.*** Notwithstanding any other provision of this Option Agreement, if the Participant's Service is terminated for Cause, the Option shall terminate in its entirety and cease to be exercisable immediately upon such termination of Service.

(d) ***Other Termination of Service.*** If the Participant's Service terminates for any reason, except Disability, death or Cause, the Option, to the extent unexercised and exercisable for Vested Units by the Participant on the date on which the Participant's Service terminated, may be exercised by the Participant at any time prior to the expiration of three (3) months after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date.

7.2 **Extension if Exercise Prevented by Law.** Notwithstanding the foregoing other than termination of the Participant's Service for Cause, if the exercise of the Option within the applicable time periods set forth in Section 7.1 is prevented by the provisions of Section 4.7, the Option shall remain exercisable until the later of (a) thirty (30) days after the date such exercise first would no longer be prevented by such provisions or (b) the end of the applicable time period under Section 7.1, but in any event no later than the Option Expiration Date.

8. **Effect of Change in Control.**

In the event of a Change in Control, and provided that the Participant's Service has not terminated prior to such date, the Option shall be immediately exercisable and vested in full immediately prior to the consummation of the Change in Control. Except to the extent that the Board determines to cash out the Option in accordance with Section 9.3 of the Plan, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the "***Acquiror***"), may, without the consent of the Participant, assume or continue in full force and effect the Company's rights and obligations under all or any portion of the Option or substitute for all or any portion of the Option a substantially equivalent option for the Acquiror's securities. For purposes of this Section, the Option or any portion thereof shall be deemed assumed if, following the Change in Control, the Option confers the right to receive, subject to the terms and conditions of the Plan and this Option Agreement, for each Unit subject to such portion of the Option immediately prior to

the Change in Control, the consideration (whether units, stock, cash, other securities or property or a combination thereof) to which a holder of a Unit on the effective date of the Change in Control was entitled; provided, however, that if such consideration is not solely common equity of the Acquiror, the Board may, with the consent of the Acquiror, provide for the consideration to be received upon the exercise of the Option for each Unit to consist solely of common equity of the Acquiror equal in Fair Market Value to the per Unit consideration received by holders of Units pursuant to the Change in Control. If any portion of such consideration may be received by holders of Units pursuant to the Change in Control on a contingent or delayed basis, the Board may, in its discretion, determine such Fair Market Value per Unit as of the time of the Change in Control on the basis of the Board's good faith estimate of the present value of the probable future payment of such consideration. The Option shall terminate and cease to be outstanding effective as of the time of consummation of the Change in Control to the extent that the Option is neither assumed or continued by the Acquiror in connection with the Change in Control nor exercised as of the time of the Change in Control. Notwithstanding the foregoing, Units acquired upon exercise of the Option prior to the Change in Control and any consideration received pursuant to the Change in Control with respect to such Units shall continue to be subject to all applicable provisions of this Option Agreement except as otherwise provided herein.

9. **Adjustments for Changes in Capital Structure.**

Subject to any required action by the members of the Company and the requirements of Sections 409A of the Code to the extent applicable, in the event of any change in the Units effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, Unit dividend, split, reverse split, split-up, split-off, spin-off, combination of Units, exchange of Units, Solvent Reorganization (as defined by the Operating Agreement) or similar change in the capital structure of the Company, adjustments shall be made as the Board determines appropriate in order to prevent dilution or enlargement of the Participant's rights under the Option, including, without limitation, (i) adjusting the number and/or kind of Units subject to the Option, (ii) adjusting the Exercise Price; (iii) adjusting the Vesting Conditions; (iv) providing for substitute awards, accelerating exercisability and/or vesting, effecting the lapse of restrictions and the termination of the Option, and/or providing for a period of time to exercise the Option prior to the applicable event; and/or (v) cancelling the Option; provided, however, that in the case of any "equity restructuring" (within the meaning of the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004)), the Board shall make an equitable or proportionate adjustment to the Option to reflect such equity restructuring. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." Any fractional Unit resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number, and the Exercise Price shall be rounded up to the nearest whole cent. Such adjustments shall be determined by the Board, and its determination shall be final, binding and conclusive.

10. **Rights as a Member, Manager, Employee or Consultant.**

The Participant shall have no rights as a member with respect to any Units covered by the Option until the date of the issuance of the Units for which the Option has been exercised (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date the Units are issued,

except as provided in Section 9. If the Participant is an Employee, the Participant understands and acknowledges that, except as otherwise provided in a separate, written employment agreement between a Participating Company and the Participant, the Participant's employment is "at will" and is for no specified term. Nothing in this Option Agreement shall confer upon the Participant any right to continue in the Service of a Participating Company or interfere in any way with any right of the Participating Company Group to terminate the Participant's Service as a Manager, an Employee or Consultant, as the case may be, at any time.

11. **RIGHT OF FIRST REFUSAL.**

11.1 **Grant of Right of First Refusal.** Except as provided in Section 11.7 and Section 16 below, in the event the Participant, the Participant's legal representative, or other holder of Units acquired upon exercise of the Option proposes to sell, exchange, transfer, pledge, or otherwise dispose of any Vested Units (the *"**Transfer Units**"*) to any person or entity, including, without limitation, any securities holder of a Participating Company, the Company shall have the right to repurchase the Transfer Units under the terms and subject to the conditions set forth in this Section 11 (the *"**Right of First Refusal**"*).

11.2 **Notice of Proposed Transfer.** Prior to any proposed transfer of the Transfer Units, the Participant shall deliver written notice (the *"**Transfer Notice**"*) to the Company describing fully the proposed transfer, including the number of Transfer Units, the name and address of the proposed transferee (the *"**Proposed Transferee**"*) and, if the transfer is voluntary, the proposed transfer price, and containing such information necessary to show the bona fide nature of the proposed transfer. In the event of a bona fide gift or involuntary transfer, the proposed transfer price shall be deemed to be the Fair Market Value of the Transfer Units, as determined by the Board in good faith. If the Participant proposes to transfer any Transfer Units to more than one Proposed Transferee, the Participant shall provide a separate Transfer Notice for the proposed transfer to each Proposed Transferee. The Transfer Notice shall be signed by both the Participant and the Proposed Transferee and must constitute a binding commitment of the Participant and the Proposed Transferee for the transfer of the Transfer Units to the Proposed Transferee subject only to the Right of First Refusal.

11.3 **Bona Fide Transfer.** If the Company determines that the information provided by the Participant in the Transfer Notice is insufficient to establish the bona fide nature of a proposed voluntary transfer, the Company shall give the Participant written notice of the Participant's failure to comply with the procedure described in this Section 11, and the Participant shall have no right to transfer the Transfer Units without first complying with the procedure described in this Section 11. The Participant shall not be permitted to transfer the Transfer Units if the proposed transfer is not bona fide.

11.4 **Exercise of Right of First Refusal.** If the Company determines the proposed transfer to be bona fide, the Company shall have the right to purchase all, but not less than all, of the Transfer Units (except as the Company and the Participant otherwise agree) at the purchase price and on the terms set forth in the Transfer Notice by delivery to the Participant of a notice of exercise of the Right of First Refusal within thirty (30) days after the date the Transfer Notice is delivered to the Company. The Company's exercise or failure to exercise the Right of First Refusal with respect to any proposed transfer described in a Transfer Notice shall not affect the Company's right to exercise the Right of First Refusal with respect to any proposed transfer described in any other Transfer Notice, whether

or not such other Transfer Notice is issued by the Participant or issued by a person other than the Participant with respect to a proposed transfer to the same Proposed Transferee. If the Company exercises the Right of First Refusal, the Company and the Participant shall thereupon consummate the sale of the Transfer Units to the Company on the terms set forth in the Transfer Notice within sixty (60) days after the date the Transfer Notice is delivered to the Company (unless a longer period is offered by the Proposed Transferee); provided, however, that in the event the Transfer Notice provides for the payment for the Transfer Units other than in cash, the Company shall have the option of paying for the Transfer Units by the present value cash equivalent of the consideration described in the Transfer Notice as reasonably determined by the Company. For purposes of the foregoing, cancellation of any indebtedness of the Participant to any Participating Company shall be treated as payment to the Participant in cash to the extent of the unpaid principal and any accrued interest canceled. Notwithstanding anything contained in this Section to the contrary, the period during which the Company may exercise the Right of First Refusal and consummate the purchase of the Transfer Units from the Participant shall terminate no sooner than the later of (a) the date eight (8) months following the date on which the Participant acquired the Transfer Units upon exercise of the Option or (b) the date thirty (30) days after the date that exercise of the Right of First Refusal and payment for the Transfer Units would no longer be prevented by the provisions of any law, regulation or agreement that would prohibit the redemption by the Company of the Transfer Units.

11.5 **Failure to Exercise Right of First Refusal.** If the Company fails to exercise the Right of First Refusal in full (or to such lesser extent as the Company and the Participant otherwise agree) within the period specified in Section 11.4 above, the Participant may conclude a transfer to the Proposed Transferee of the Transfer Units on the terms and conditions described in the Transfer Notice, provided such transfer occurs not later than ninety (90) days following delivery to the Company of the Transfer Notice or, if applicable, following the end of the period described in the last sentence of Section 11.4. The Company shall have the right to demand further assurances from the Participant and the Proposed Transferee (in a form satisfactory to the Company) that the transfer of the Transfer Units was actually carried out on the terms and conditions described in the Transfer Notice. No Transfer Units shall be transferred on the books of the Company until the Company has received such assurances, if so demanded, and has approved the proposed transfer as bona fide. Any proposed transfer on terms and conditions different from those described in the Transfer Notice, as well as any subsequent proposed transfer by the Participant, shall again be subject to the Right of First Refusal and shall require compliance by the Participant with the procedure described in this Section 11.

11.6 **Transferees of Transfer Units.** All transferees of the Transfer Units or any interest therein, other than the Company, shall be required as a condition of such transfer to agree in writing (in a form satisfactory to the Company) that such transferee shall receive and hold such Transfer Units or interest therein subject to all of the terms and conditions of this Option Agreement, including this Section 11 providing for the Right of First Refusal with respect to any subsequent transfer. Any sale or transfer of any Units acquired upon exercise of the Option shall be void unless the provisions of this Section 11 are met.

11.7 **Transfers Not Subject to Right of First Refusal.** The Right of First Refusal shall not apply to any transfer or exchange of the Units acquired upon exercise of the Option if such transfer or exchange is in connection with an Ownership Change Event. If the

consideration received pursuant to such transfer or exchange consists of securities of a Participating Company, such consideration shall remain subject to the Right of First Refusal unless the provisions of Section 11.9 below result in a termination of the Right of First Refusal.

11.8 **Assignment of Right of First Refusal.** The Company shall have the right to assign the Right of First Refusal at any time, whether or not there has been an attempted transfer, to one or more persons as may be selected by the Company.

11.9 **Early Termination of Right of First Refusal.** The other provisions of this Option Agreement notwithstanding, the Right of First Refusal shall terminate and be of no further force and effect upon the existence of a public market for the class of securities subject to the Right of First Refusal. A "***public market***" shall be deemed to exist if (i) such securities are listed on a national securities exchange (as that term is used in the Exchange Act) or (ii) such securities are traded on the over-the-counter market and prices therefor are published daily on business days in a recognized financial journal.

12. **VESTED UNIT REPURCHASE OPTION.**

12.1 **Grant of Vested Unit Repurchase Option.** Except as provided in Section 12.4 below, in the event of the occurrence of any Repurchase Event, as defined below, the Company shall have the right to repurchase the Units acquired by the Participant pursuant to the Option (the "***Repurchase Units***") under the terms and subject to the conditions set forth in this Section (the "***Vested Unit Repurchase Option***"). Each of the following events shall constitute a "***Repurchase Event***":

(a) Termination of the Participant's Service for any reason or no reason, with or without cause, including death or Disability. The Repurchase Period, as defined below, shall commence on the date of termination of the Participant's Service.

(b) The Participant, the Participant's legal representative, or other holder of Units acquired upon exercise of the Option attempts to sell, exchange, transfer, pledge, or otherwise dispose of any Repurchase Units without complying with the provisions of Section 11. The Repurchase Period, as defined below, shall commence on the date the Company receives actual notice of such attempted sale, exchange, transfer, pledge or other disposition.

(c) The receivership, bankruptcy or other creditor's proceeding regarding the Participant or the taking of any of the Participant's Units by legal process, such as a levy of execution. The Repurchase Period, as defined below, shall commence on the date the Company receives actual notice of the commencement of pendency of the receivership, bankruptcy or other creditor's proceeding or the date of such taking, as the case may be. The Fair Market Value of the Repurchase Units shall be determined as of the last day of the month preceding the month in which the proceeding involved commenced or the taking occurred.

12.2 **Exercise of Vested Unit Repurchase Option.** The Company may exercise the Vested Unit Repurchase Option by written notice to the Participant, the Participant's legal representative, or other holder of the Repurchase Units, as the case may be, during the Repurchase Period. The "***Repurchase Period***" shall be the period commencing at the time set forth in Section 12.1 above and ending on the later of (a) the date

ninety (90) days after the commencement of the Repurchase Period or (b) the date nine (9) months after the Option is last exercised; provided, however, that if the redemption by the Company of the Repurchase Units during any portion of the Repurchase Period would violate the provisions of any law, regulation or agreement, the Vested Unit Repurchase Option shall remain exercisable until the later of (the "***Extended Repurchase Period***") (a) thirty (30) days after the date such exercise would no longer be prevented by such provisions or (b) the end of the Repurchase Period. If the Company fails to give notice during the Repurchase Period or the Extended Repurchase period, as applicable, the Vested Unit Repurchase Option shall terminate (unless the Company and the Participant have extended the time for the exercise of the Vested Unit Repurchase Option) unless and until there is a subsequent Repurchase Event. Notwithstanding a termination of the Vested Unit Repurchase Option, the remaining provisions of this Option Agreement shall remain in full force and effect, including, without limitation, the Right of First Refusal set forth in Section 11. If there is a subsequent Repurchase Event, the Vested Unit Repurchase Option shall again become exercisable as provided in this Section 12. The Vested Unit Repurchase Option must be exercised, if at all, for all of the Repurchase Units, except as the Company and the Participant otherwise agree.

12.3 **Payment for Repurchase Units.** The repurchase price per Unit being repurchased by the Company pursuant to the Vested Unit Repurchase Option shall be an amount equal to the Fair Market Value of the Units determined as of the date of the Repurchase Event (except as otherwise provided in Section 12.1(c)) by the Board in good faith; provided, however, that if the Repurchase Event is the termination of the Participant's Service for Cause, the repurchase price per Unit shall be the lesser of such Fair Market Value or the Exercise Price paid by the Participant to acquire such Unit. Payment by the Company to the Participant shall be made in cash on or before the last day of the Repurchase Period. For purposes of the foregoing, cancellation of any indebtedness of the Participant to any Participating Company shall be treated as payment to the Participant in cash to the extent of the unpaid principal and any accrued interest canceled.

12.4 **Transfers Not Subject to Vested Unit Repurchase Option.** The Vested Unit Repurchase Option shall not apply to any transfer or exchange of Units acquired upon exercise of the Option if such transfer or exchange is in connection with an Ownership Change Event. If the consideration received pursuant to such transfer or exchange consists of securities of a Participating Company, such consideration will remain subject to the Vested Unit Repurchase Option unless the provisions of Section 12.6 result in a termination of the Vested Unit Repurchase Option.

12.5 **Assignment of Vested Unit Repurchase Option.** The Company shall have the right to assign the Vested Unit Repurchase Option at any time, whether or not such option is then exercisable, to one or more persons as may be selected by the Company.

12.6 **Early Termination of Vested Unit Repurchase Option.** The other provisions of this Option Agreement notwithstanding, the Vested Unit Repurchase Option shall terminate and be of no further force and effect upon the existence of a public market, as defined in Section 11.9, for the class of securities subject to the Vested Unit Repurchase Option.

13. **DISTRIBUTIONS SUBJECT TO OPTION AGREEMENT.**

If, from time to time, there is any Unit dividend, split or other change, as described in Section 9, in the character or amount of any of the outstanding securities of the

entity the securities of which is subject to the provisions of this Option Agreement, then in such event any and all new, substituted or additional securities to which the Participant is entitled by reason of the Participant's ownership of the Units acquired upon exercise of the Option shall be immediately subject to the Right of First Refusal and the Vested Unit Repurchase Option with the same force and effect as the Units subject to the Right of First Refusal and the Vested Unit Repurchase Option immediately before such event.

14. **Legends.**

If the Units are at any time evidenced by certificates, the Company may at any time place legends referencing the Right of First Refusal, the Vested Unit Repurchase Option and any applicable federal, state or foreign securities law restrictions on all certificates representing the securities subject to the provisions of this Option Agreement. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing securities acquired pursuant to the Option in the possession of the Participant in order to carry out the provisions of this Section. Unless otherwise specified by the Company, legends placed on such certificates may include, but shall not be limited to, the following:

14.1 "THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED OR HYPOTHECATED UNLESS THERE IS AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT COVERING SUCH SECURITIES, THE SALE IS MADE IN ACCORDANCE WITH RULE 144 OR RULE 701 UNDER THE ACT, OR THE COMPANY RECEIVES AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY, STATING THAT SUCH SALE, TRANSFER, ASSIGNMENT OR HYPOTHECATION IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF SUCH ACT."

14.2 "THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND REPURCHASE OPTIONS IN FAVOR OF THE CORPORATION OR ITS ASSIGNEE SET FORTH IN AN AGREEMENT BETWEEN THE CORPORATION AND THE REGISTERED HOLDER, OR SUCH HOLDER' S PREDECESSOR IN INTEREST, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THIS CORPORATION."

15. **Lock-Up Agreement.**

The Participant hereby agrees that in the event of any underwritten public offering of securities, including an initial public offering of securities, made by the Company pursuant to an effective registration statement filed under the Securities Act, the Participant shall not offer, sell, contract to sell, pledge, hypothecate, grant any option to purchase or make any short sale of, or otherwise dispose of any securities of the Company or any rights to acquire securities of the Company for such period of time from and after the effective date of such registration statement as may be established by the underwriter for such public offering; provided, however, that such period of time shall not exceed one hundred eighty (180) days from the effective date of the registration statement to be filed in connection with such public offering; provided, further, however, that such one hundred eighty (180) day period may be extended for an additional period, not to exceed twenty (20) days, upon the request of the Company or the underwriter to accommodate regulatory restrictions on (i) the publication or

other distribution of research reports and (ii) analyst recommendations and opinions, including but not limited to, the restrictions contained in NASD Rule 2711(f)(4) or NYSE Rule 472(f)(4), or any successor provisions or amendments thereto). The foregoing limitation shall not apply to securities registered in the public offering under the Securities Act. The Participant hereby agrees to enter into any agreement reasonably required by the underwriters to implement the foregoing within a reasonable timeframe if so requested by the Company.

16. **Restrictions on Transfer of Units.**

No Units acquired upon exercise of the Option may be sold, exchanged, transferred (including, without limitation, any transfer to a nominee or agent of the Participant), assigned, pledged, hypothecated or otherwise disposed of, including by operation of law in any manner which violates any of the provisions of this Option Agreement or the Operating Agreement, and any such attempted disposition shall be void. The Company shall not be required (a) to transfer on its books any Units which will have been transferred in violation of any of the provisions set forth in this Option Agreement or the Operating Agreement or (b) to treat as owner of such Units or to accord the right to vote as such owner or to pay dividends to any transferee to whom such Units will have been so transferred.

17. **Miscellaneous Provisions.**

17.1 **Termination or Amendment.** The Board may terminate or amend the Plan or the Option at any time; provided, however, that except as provided in Section 8 in connection with a Change in Control, no such termination or amendment may have a materially adverse effect on the Option or any unexercised portion hereof without the consent of the Participant unless such termination or amendment is necessary to comply with any applicable law or government regulation. No amendment or addition to this Option Agreement shall be effective unless in writing.

17.2 **Compliance with Section 409A**. The Company intends that income realized by the Participant pursuant to the Plan and this Option Agreement will not be subject to taxation under Section 409A of the Code. The provisions of the Plan and this Option Agreement shall be interpreted and construed in favor of satisfying any applicable requirements of Section 409A of the Code. The Company, in its reasonable discretion, may amend (including retroactively) the Plan and this Agreement in order to conform to the applicable requirements of Section 409A of the Code, including amendments to facilitate the Participant's ability to avoid taxation under Section 409A of the Code. **However, the preceding provisions shall not be construed as a guarantee by the Company of any particular tax result for income realized by the Participant pursuant to the Plan or this Option Agreement.** In any event, and except for the responsibilities of the Company set forth in Section 4.5, no Participating Company shall be responsible for the payment of any applicable taxes incurred by the Participant on income realized by the Participant pursuant to the Plan or this Option Agreement.

17.3 **Further Instruments.** The parties hereto agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Option Agreement.

17.4 **Binding Effect.** This Option Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon the Participant and the Participant's heirs, executors, administrators, successors and assigns.

17.5 **Delivery of Documents and Notices.** Any document relating to participation in the Plan, or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Option Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Participant by a Participating Company, or upon deposit in the U.S. Post Office or foreign postal service, by registered or certified mail, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed to the other party at the address of such party set forth in the Grant Notice or at such other address as such party may designate in writing from time to time to the other party.

(a) **Description of Electronic Delivery.** The Plan documents, which may include but do not necessarily include: the Plan, the Grant Notice, this Option Agreement, the Operating Agreement and any reports of the Company provided generally to the Company's Unit holders, may be delivered to the Participant electronically. In addition, if permitted by the Company, the Participant may deliver electronically the Grant Notice and Exercise Notice called for by Section 4.2 to the Company or to such third party involved in administering the Plan as the Company may designate from time to time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the Internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.

(b) **Consent to Electronic Delivery.** The Participant acknowledges that the Participant has read Section 17.5(a) of this Option Agreement and consents to the electronic delivery of the Plan documents and, if permitted by the Company, the delivery of the Grant Notice and Exercise Notice, as described in Section 17.5(a). The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Section 17.5(a) or may change the electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 17.5(a).

17.6 **Integrated Agreement.** The Grant Notice, this Option Agreement and the Plan, together with the Operating Agreement and any employment, service or other agreement with the Participant and a Participating Company referring to the Option, shall constitute the entire understanding and agreement of the Participant and the Participating

Company Group with respect to the subject matter contained herein or therein and supersede any prior agreements, understandings, restrictions, representations, or warranties among the Participant and the Participating Company Group with respect to such subject matter. To the extent contemplated herein or therein, the provisions of the Grant Notice, the Option Agreement, the Plan and the Operating Agreement shall survive any exercise of the Option and shall remain in full force and effect.

17.7 **Applicable Law.** This Option Agreement shall be governed by the laws of the State of California as such laws are applied to agreements between California residents entered into and to be performed entirely within the State of California.

17.8 **Counterparts.** The Grant Notice may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Participant: _____

Date: _____

UNIT OPTION EXERCISE NOTICE

MagnaChip Semiconductor LLC
Attention: General Counsel

_____

_____

Ladies and Gentlemen:

1. **Option.** I was granted an option (the "***Option***") to purchase Common Units (the "***Units***") of MagnaChip Semiconductor LLC (the "***Company***") pursuant to the Company's 2009 Common Unit Plan (the "***Plan***"), my Notice of Grant of Unit Option (the "***Grant Notice***") and my Option Agreement (the "***Option Agreement***") as follows:

Date of Grant:	_____
Number of Option Units:	_____
Exercise Price per Unit:	US$ _____

2. **Exercise of Option.** I hereby elect to exercise the Option to purchase the following number of Units, all of which are Vested Units, in accordance with the Grant Notice and the Option Agreement:

Total Units Purchased:	_____
Total Exercise Price (Total Units X Price per Unit)	US$ _____

3. **Payments.** I enclose payment in full of the total exercise price for the Units in the following form(s), as authorized by my Option Agreement:

Cash:	US$ _____
Check:	US$ _____
Unit Tender Exercise:	Contact Plan Administrator
Cashless Exercise:	Contact Plan Administrator
Net Exercise:	Contact Plan Administrator

4. **Tax Withholding.** I authorize payroll withholding and otherwise will make adequate provision for the federal, state, local and foreign tax withholding obligations of the Company, if any, in connection with the Option. I enclose payment in full of my withholding taxes, if any, as follows:

(Contact Plan Administrator for amount of tax due.)

Check:	US$ _____
Unit Withholding:	Contact Plan Administrator

5. **Participant Information**.

My address is: _____

_____

My Social Security Number is: _____

6. **Binding Effect**. I agree that the Units are being acquired in accordance with and subject to the terms, provisions and conditions of the Grant Notice, the Option Agreement, including the Right of First Refusal and Vested Unit Repurchase Option set forth therein, the Plan and the Operating Agreement, to all of which I hereby expressly assent. This Agreement shall inure to the benefit of and be binding upon my heirs, executors, administrators, successors and assigns.

7. **Joinder Agreement**. I have executed and am hereby delivering to the Company along with this Exercise Notice a Joinder Agreement, pursuant to which I agree to become a party to, to by bound by, and to comply with all of the provisions of the Operating Agreement.

8. **Transfer**. I understand and acknowledge that the Units have not been registered under the Securities Act of 1933, as amended (the "***Securities Act***"), and that consequently the Units must be held indefinitely unless they are subsequently registered under the Securities Act, an exemption from such registration is available, or they are sold in accordance with Rule 144 or Rule 701 under the Securities Act. I further understand and acknowledge that the Company is under no obligation to register the Units. I understand that any certificate or certificates evidencing the Units will be imprinted with legends which prohibit the transfer of the Units unless they are registered or such registration is not required in the opinion of legal counsel satisfactory to the Company.

I am aware that Rule 144 under the Securities Act, which permits limited public resale of securities acquired in a nonpublic offering, is not currently available with respect to the Units and, in any event, is available only if certain conditions are satisfied. I understand that any sale of the Units that might be made in reliance upon Rule 144 may only be made in limited amounts in accordance with the terms and conditions of such rule and that a copy of Rule 144 will be delivered to me upon request.

I understand that I am purchasing the Units pursuant to the terms of the Plan, the Grant Notice, my Option Agreement and the Operating Agreement, copies of which I have received and carefully read and understand.

Very truly yours,

_____

(Signature)

Receipt of the above is hereby acknowledged.

MagnaChip Semiconductor LLC

By: _____

Title: _____

Dated: _____

THE SECURITIES WHICH ARE THE SUBJECT OF THIS AGREEMENT HAVE BEEN OFFERED IN AN OFFSHORE TRANSACTION TO A PERSON WHO IS NOT A U.S. PERSON (AS DEFINED HEREIN) PURSUANT TO REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT").

THE SECURITIES WHICH ARE THE SUBJECT OF THIS AGREEMENT HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. SUCH SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT AND, AS SUCH, THEY MAY NOT BE OFFERED FOR SALE, SOLD, DELIVERED AFTER SALE, TRANSFERRED, PLEDGED, HYPOTHECATED OR EXERCISED (AS APPLICABLE) IN THE ABSENCE OF SUCH REGISTRATION IN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S UNDER THE SECURITIES ACT, PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO REGISTRATION UNDER THE SECURITIES ACT. THE HOLDER OF THE SUCH SECURITIES AGREES NOT TO ENGAGE IN HEDGING TRANSACTIONS WITH REGARD TO THE SECURITIES UNLESS IN COMPLIANCE WITH THE SECURITIES ACT.

MAGNACHIP SEMICONDUCTOR LLC
RESTRICTED UNIT AGREEMENT
[Non-US Participants]

MagnaChip Semiconductor LLC has granted to the Participant named in the *Notice of Grant of Restricted Units* (the "***Grant Notice***") to which this Restricted Unit Agreement (the "***Agreement***") is attached an Award consisting of Units subject to the terms and conditions set forth in the Grant Notice and this Agreement. The Award has been granted pursuant to and shall in all respects be subject to the terms and conditions of the MagnaChip Semiconductor LLC 2009 Common Unit Plan (the "***Plan***"), as amended to the Date of Grant, the provisions of which are incorporated herein by reference. By signing the Grant Notice, the Participant: (a) acknowledges receipt of, and represents that the Participant has read and is familiar with, the Grant Notice, this Agreement, the Plan and the Operating Agreement, (b) accepts the Award subject to all of the terms and conditions of the Grant Notice, this Agreement, the Plan and the Operating, and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Board upon any questions arising under such documents.

1. **Definitions and Construction.**

1.1 **Definitions.** Unless otherwise defined herein, capitalized terms shall have the meanings assigned to such terms in the Grant Notice or the Plan.

1.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

2. **Certain Conditions of the Award.**

2.1 **Compliance with Local Law.** The Participant agrees that the Participant will not acquire Units pursuant to the Award or transfer, assign, sell or otherwise deal with such Units except in compliance with Local Law.

2.2 **Employment Conditions.** In accepting the Award, the Participant acknowledges that:

(a) Any notice period mandated under Local Law shall not be treated as Service for the purpose of determining the vesting of the Award. Subject to the foregoing and the provisions of the Plan, the Company, in its sole discretion, shall determine whether the Participant's Service has terminated and the effective date of such termination.

(b) The Plan is established voluntarily by the Company. It is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, unless otherwise provided in the Plan and this Agreement.

(c) The grant of the Award is voluntary and occasional and does not create any contractual or other right to receive future grants of Awards, or benefits in lieu of Awards, even if Awards have been granted repeatedly in the past.

(d) All decisions with respect to future grants of Awards, if any, will be at the sole discretion of the Company.

(e) The Participant's participation in the Plan shall not create a right to further Service with any Participating Company and shall not interfere with the ability of any Participating Company to terminate the Participant's Service at any time, with or without cause.

(f) The Participant is voluntarily participating in the Plan.

(g) The Award is an extraordinary item that does not constitute compensation of any kind for Service of any kind rendered to any Participating Company, and which is outside the scope of the Participant's employment contract, if any.

(h) The Award is not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating any severance, resignation, termination, redundancy, end-of-service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.

(i) In the event that the Participant is not an employee of the Company, the grant of the Award will not be interpreted to form an employment contract or relationship with the Company; and furthermore the grant of the Award will not be interpreted to form an employment contract with any other Participating Company.

(j) The future value of the Units is unknown and cannot be predicted with certainty. If the Units do not increase in value, the Award will have no value.

(k) No claim or entitlement to compensation or damages arises from termination of the Award or diminution in value of the Units resulting from termination of the Participant's Service (for any reason whether or not in breach of Local Law) and the

Participant irrevocably releases the Company and each other Participating Company from any such claim that may arise. If, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen then, by signing this Agreement, the Participant shall be deemed irrevocably to have waived the Participant's entitlement to pursue such a claim.

2.3 **Data Privacy Consent.**

(a) *The Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Participant's personal data as described in this document by and among the members of the Participating Company Group for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan.*

(b) *The Participant understands that the Participating Company Group holds certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any securities or directorships held in the Company, details of all Awards or any other entitlement to securities awarded, canceled, exercised, vested, unvested or outstanding in the Participant's favor, for the purpose of implementing, administering and managing the Plan ("Data"). The Participant understands that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the Participant's country or elsewhere, and that the recipient's country may have different data privacy laws and protections than the Participant's country. The Participant understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting the Participant's local human resources representative. The Participant authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Participant's participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the Participant may elect to deposit any securities acquired pursuant to the Award. The Participant understands that Data will be held only as long as is necessary to implement, administer and manage the Participant's participation in the Plan. The Participant understands that he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Participant's local human resources representative. The Participant understands, however, that refusing or withdrawing the Participant's consent may affect the Participant's ability to participate in the Plan. For more information on the consequences of the Participant's refusal to consent or withdrawal of consent, the Participant understands that he or she may contact the Participant's local human resources representative.*

2.4 **Acknowledgements, Representations and Warranties of the Participant**.

(a) The Participant acknowledges, understands and agrees that:

(i) The Units acquired pursuant to the Award have not been registered under the United States Securities Act of 1933, as amended (the "***Securities Act***"), and, unless so registered, may not be offered or sold in the United States or, directly or

indirectly, to U.S. Persons (as defined in subsection (c) below), except in accordance with the provisions of Regulation S of the Securities Act ("***Regulation S***"), pursuant to an effective registration statement under the Securities Act, or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;

(ii) In issuing the Units to the Participant, the Company is relying upon the "safe harbor" provided by Regulation S;

(iii) It is a condition to the availability of the Regulation S "safe harbor" that the Units not be offered or sold in the United States or to a U.S. person until the expiration of a period of one year (or six months if the Company is a "reporting issuer" (as defined in Regulation S)) following the purchase of the Units (the "***Distribution Compliance Period***");

(iv) Until the expiration of the Distribution Compliance Period:

a) The Participant will not solicit offers to buy, offer for sale or sell any of the Units or any beneficial interest therein in the United States or to or for the account of a U.S. Person;

b) Notwithstanding the foregoing, prior the expiration of the Distribution Compliance Period, the Units may be offered and sold only if: (A) the Units are offered and sold pursuant to an effective registration statement or pursuant to an exemption from the registration requirements of the Securities Act if the offer or sale is within the United States or for the account of a U.S. person (as such terms are defined in Regulation S); or (B) the offer and sale is outside the United States and to other than a U.S. person;

c) The foregoing restrictions are binding upon subsequent transferees of the Units, except for transferees pursuant to an effective registration statement;

(v) After the Distribution Compliance Period, the Units may be offered or sold within the United States or to or for the account of a U.S. person only pursuant to applicable securities laws;

(vi) The Participant will not engage in hedging transactions with regard to the Units unless in compliance with the Securities Act;

(vii) The Participant will notify any purchaser of the Units of the restrictions relating to the Units noted herein.

(viii) The Company will make a notation in its stock books regarding the restrictions on transfer set forth in this Section, will transfer Units on the books of the Company only to the extent consistent herewith, and will refuse to register any transfer of the Units not made in accordance with the provisions of Regulation S, pursuant to an effective registration statement under the Securities Act or pursuant to an available exemption from the registration requirements of the Securities Act; and

(ix) The Company and others will rely upon the truth and accuracy of the acknowledgements, representations and agreements contained in this Agreement, and the Participant agrees that if any of such acknowledgements, representations and agreements are no longer accurate or have been breached, the Participant shall promptly notify the Company.

(b) The Participant represents and warrants to the Company that:

(i) The Participant is not a U.S. Person and the Participant is not acquiring the Units for the account or benefit of, directly or indirectly, any U.S. Person;

(ii) The Participant is outside the United States when receiving and executing this Agreement and is acquiring the Units for investment only and not with a view to resale or distribution and, in particular, it has no intention to distribution either directly or indirectly any of the Units in the United States or to U.S. Persons;

(iii) The Participant has not engaged, nor is the Participant aware that any party has engaged, and the Participant will not engage or cause any third party to engage, in any directed selling efforts (as such term is defined in Regulation S) in the United States with respect to the Units;

(iv) The Participant is not a "distributor" (as defined in Regulation S) or a "dealer" (as defined in the Securities Act); and

(v) The Participant has the full power and authority to deliver these representations in connection with the Participant's acquisition of the Units.

(c) For purposes of this Agreement, "***U.S. Person***" means: (i) any natural person resident in the United States; (ii) any partnership or corporation organized or incorporated under the laws of the United States; (iii) any estate of which any executor or administrator is a U.S. Person; (iv) any trust of which any trustee is a U.S. Person; (v) any agency or branch of a foreign entity located in the United States; (vi) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit of or account of a U.S. Person; (vii) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated, or (if an individual) resident in the United States; and (viii) any partnership or corporation if (A) organized or incorporated under the laws of any non-U.S. jurisdiction and (B) formed by a U.S. Person principally for the purpose of investing in securities not registered under the Securities Act, unless it is organized or incorporated, and owned, by accredited investors (as defined below) who are not natural persons, estates or trusts.

(d) The Participant acknowledges that these representations and warranties may be translated into one or more languages other than English. In case of any inconsistency between the English version of these representations and warranties and a version in any other language, the English version shall prevail. In the event that the Participant executes and delivers a non-English version of these representations and warranties, such execution and delivery will also be deemed to be execution and delivery of the English version of these representations and warranties.

(e) The Participant represents and warrants that the above acknowledgements, representations and agreements are true and accurate as of the date hereof. The Participant also agrees to inform the Company should any of the information contained in these representations and warranties cease to be true and/or accurate. The Participant acknowledges that in the event the Participant does not inform the Company of any change to the information contained in these representations and warranties, the Company and its respective professional advisers will be entitled to continue to rely on the truth and accuracy of the foregoing representations and warranties.

3. **Tax Matters**.

3.1 **Tax Withholding.** Regardless of any action taken by the Company or any other Participating Company with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related withholding (the "***Tax Obligations***"), the Participant acknowledges that the ultimate liability for all Tax Obligations legally due by the Participant is and remains the Participant's responsibility and that the Company (a) makes no representations or undertakings regarding the treatment of any Tax Obligations in connection with any aspect of the Award, including the grant or vesting of the Award, the subsequent sale of Units acquired pursuant to the Award, or the receipt of any dividends and (b) does not commit to structure the terms of the grant or any other aspect of the Award to reduce or eliminate the Participant's liability for Tax Obligations. At the time the Grant Notice is executed, or at any time thereafter as requested by a Participating Company, the Participant shall pay or make adequate arrangements satisfactory to the Company to satisfy all withholding obligations of the Company and any other Participating Company. In this regard, the Participant hereby authorizes withholding of all applicable Tax Obligations from payroll and any other amounts payable to the Participant, and otherwise agrees to make adequate provision for withholding of all applicable Tax Obligations, if any, by each Participating Company which arise in connection with the Award. Alternatively, or in addition, if permissible under applicable law, including Local Law, the Company or any other Participating Company may (i) sell or arrange for the sale of securities acquired by the Participant to satisfy the Tax Obligations, and/or (ii) withhold in Units, provided that only the amount of Units necessary to satisfy the minimum withholding amount required by applicable law, including Local Law, is withheld. Finally, the Participant shall pay to the Company or any other Participating Company any amount of the Tax Obligations that any such company may be required to withhold as a result of the Participant's participation in the Plan that cannot be satisfied by the means previously described. The Company shall have no obligation to deliver Units until the Tax Obligations as described in this Section have been satisfied by the Participant.

3.2 **Valuation of the Units.** The Units have been valued by the Company, and the Company believes this valuation represents a fair attempt at reaching an accurate appraisal of their worth. The Participant understands, however, that the Company can give no assurances that such valuation is in fact the fair market value of the Units and that it is possible that with the benefit of hindsight, the applicable tax authorities would successfully assert that the value of the Units on any relevant date is greater than so determined.

4. **Administration.**

All questions of interpretation concerning the Grant Notice, this Agreement and the Plan, the Operating Agreement, and any other form of agreement or other document employed by the Board or the Company in the administration of the Plan or the Award shall

be determined by the Board. All such determinations by the Board shall be final, binding and conclusive upon all persons having an interest in the Award, unless fraudulent or made in bad faith. Any and all actions, decisions and determinations taken or made by the Board in the exercise of its discretion pursuant to the Plan or the Award or other agreement thereunder (other than determining questions of interpretation pursuant to the preceding sentence) shall be final, binding and conclusive upon all persons having an interest in the Award. Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, or election which is the responsibility of or which is allocated to the Company herein, provided the Officer has actual authority with respect to such matter, right, obligation, or election.

5. **THE AWARD.**

5.1 **Grant and Issuance of Units.** On the Date of Grant, the Participant shall acquire and the Company shall issue, subject to the provisions of this Agreement, a number of Units equal to the Total Number of Units. As a condition to the issuance of the Units, the Participant shall execute and deliver the Grant Notice to the Company, accompanied by (a) an Assignment Separate from Certificate duly endorsed (with date and number of Units blank) in the form provided by the Company and (b) such executed documents, if any, as may be required pursuant to Section 5.2.

5.2 **Issuance of Units Subject to Operating Agreement.** If required by the Board, the Participant shall not be entitled to acquire any Units pursuant to the Award and to be admitted as a member of the Company thereby unless and until the Participant has executed and delivered to the Company a written undertaking in a form acceptable to the Board to be bound by the terms and conditions of the Operating Agreement and/or any lock-up or other documents the Board reasonably determines to be necessary or appropriate in connection with the issuance of such Units.

5.3 **No Monetary Payment Required.** The Participant is not required to make any monetary payment (other than to satisfy applicable tax withholding, if any, with respect to the issuance or vesting of the Units) as a condition to receiving the Units, the consideration for which shall be past services actually rendered or future services to be rendered to a Participating Company or for its benefit.

5.4 **Beneficial Ownership of Units; Certificate Registration.** The Participant hereby authorizes the Company, in its sole discretion, to deposit the Units with the Company's transfer agent, including any successor transfer agent, to be held in book entry form during the term of the Escrow pursuant to Section 9. Furthermore, the Participant hereby authorizes the Company, in its sole discretion, to deposit, following the term of such Escrow, for the benefit of the Participant with any broker with which the Participant has an account relationship of which the Company has notice any or all Units which are no longer subject to such Escrow. Except as provided by the foregoing, the Units shall be registered in book entry form with the Company or its transfer agent or shall be in certificate form, in either case registered in the name of the Participant, or, if applicable, in the names of the heirs of the Participant.

5.5 **Issuance of Units in Compliance with Law.** The issuance of Units shall be subject to compliance with all applicable requirements of United States federal or state law or Local Law with respect to such securities. No Units shall be issued hereunder if their issuance would constitute a violation of any applicable federal, state or foreign securities

laws, including Local Law, or other law or regulations or the requirements of any stock exchange or market system upon which the Units may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance of any Units shall relieve the Company of any liability in respect of the failure to issue such Units as to which such requisite authority shall not have been obtained. As a condition to the issuance of the Units, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

6. **Vesting of Units.**

6.1 **Normal Vesting.** Units acquired pursuant to this Agreement shall become Vested Units as provided in the Grant Notice. For purposes of determining the number of Vested Units following an Ownership Change Event, credited Service shall include all Service with any corporation which is a Participating Company at the time the Service is rendered, whether or not such corporation is a Participating Company both before and after the Ownership Change Event.

6.2 **Acceleration of Vesting Upon a Change in Control**. In the event of a Change in Control, the vesting of the Units shall be accelerated in full, and the Total Number of Units shall be deemed Vested Units effective as of the consummation of the Change in Control, provided that the Participant's Service has not terminated prior to such date.

7. **Company Reacquisition Right.**

7.1 **Grant of Company Reacquisition Right.** In the event that (a) the Participant's Service terminates for any reason or no reason, with or without cause, or, (b) the Participant, the Participant's legal representative, or other holder of the Units, attempts to sell, exchange, transfer, pledge, or otherwise dispose of (other than pursuant to an Ownership Change Event), including, without limitation, any transfer to a nominee or agent of the Participant, any Units which are not Vested Units ("***Unvested Units***"), the Participant shall forfeit and the Company shall automatically reacquire the Unvested Units, and the Participant shall not be entitled to any payment therefor (the "***Company Reacquisition Right***").

7.2 **Ownership Change Event, Dividends, Distributions and Adjustments.** Upon the occurrence of an Ownership Change Event, a dividend or distribution to the Unit holders of the Company paid in Units or other property, or any other adjustment upon a change in the capital structure of the Company as described in Section 12, any and all new, substituted or additional securities or other property to which the Participant is entitled by reason of the Participant's ownership of Unvested Units shall be immediately subject to the Company Reacquisition Right and included in the terms "Units" and "Unvested Units" for all purposes of the Company Reacquisition Right with the same force and effect as the Unvested Units immediately prior to the Ownership Change Event, dividend, distribution or adjustment, as the case may be. For purposes of determining the number of Vested Units following an Ownership Change Event, dividend, distribution or adjustment, credited Service shall include all Service with any corporation which is a Participating Company at the time the Service is rendered, whether or not such corporation is a Participating Company both before and after any such event.

8. **RIGHT OF FIRST REFUSAL.**

8.1 **Grant of Right of First Refusal.** Except as provided in Section 8.7 and Section 16 below, in the event the Participant, the Participant's legal representative, or other holder of Units subject to the Award proposes to sell, exchange, transfer, pledge, or otherwise dispose of any Vested Units (the "***Transfer Units***") to any person or entity, including, without limitation, any Unit holder of a Participating Company, the Company shall have the right to repurchase the Transfer Units under the terms and subject to the conditions set forth in this Section (the "***Right of First Refusal***").

8.2 **Notice of Proposed Transfer.** Prior to any proposed transfer of the Transfer Units, the Participant shall deliver written notice (the "***Transfer Notice***") to the Company describing fully the proposed transfer, including the number of Transfer Units, the name and address of the proposed transferee (the "***Proposed Transferee***") and, if the transfer is voluntary, the proposed transfer price, and containing such information necessary to show the bona fide nature of the proposed transfer. In the event of a bona fide gift or involuntary transfer, the proposed transfer price shall be deemed to be the Fair Market Value of the Transfer Units, as determined by the Board in good faith. If the Participant proposes to transfer any Transfer Units to more than one Proposed Transferee, the Participant shall provide a separate Transfer Notice for the proposed transfer to each Proposed Transferee. The Transfer Notice shall be signed by both the Participant and the Proposed Transferee and must constitute a binding commitment of the Participant and the Proposed Transferee for the transfer of the Transfer Units to the Proposed Transferee subject only to the Right of First Refusal.

8.3 **Bona Fide Transfer.** If the Company determines that the information provided by the Participant in the Transfer Notice is insufficient to establish the bona fide nature of a proposed voluntary transfer, the Company shall give the Participant written notice of the Participant's failure to comply with the procedure described in this Section 8, and the Participant shall have no right to transfer the Transfer Units without first complying with the procedure described in this Section 8. The Participant shall not be permitted to transfer the Transfer Units if the proposed transfer is not bona fide.

8.4 **Exercise of Right of First Refusal.** If the Company determines the proposed transfer to be bona fide, the Company shall have the right to purchase all, but not less than all, of the Transfer Units (except as the Company and the Participant otherwise agree) at the purchase price and on the terms set forth in the Transfer Notice by delivery to the Participant of a notice of exercise of the Right of First Refusal within thirty (30) days after the date the Transfer Notice is delivered to the Company. The Company's exercise or failure to exercise the Right of First Refusal with respect to any proposed transfer described in a Transfer Notice shall not affect the Company's right to exercise the Right of First Refusal with respect to any proposed transfer described in any other Transfer Notice, whether or not such other Transfer Notice is issued by the Participant or issued by a person other than the Participant with respect to a proposed transfer to the same Proposed Transferee. If the Company exercises the Right of First Refusal, the Company and the Participant shall thereupon consummate the sale of the Transfer Units to the Company on the terms set forth in the Transfer Notice within sixty (60) days after the date the Transfer Notice is delivered to the Company (unless a longer period is offered by the Proposed Transferee); provided, however, that in the event the Transfer Notice provides for the payment for the Transfer Units other than in cash, the Company shall have the option of paying for the Transfer Units by the present value cash equivalent of the consideration described in the Transfer Notice as

reasonably determined by the Company. For purposes of the foregoing, cancellation of any indebtedness of the Participant to any Participating Company shall be treated as payment to the Participant in cash to the extent of the unpaid principal and any accrued interest canceled. Notwithstanding anything contained in this Section to the contrary, the period during which the Company may exercise the Right of First Refusal and consummate the purchase of the Transfer Units from the Participant shall terminate no sooner than the later of (a) the date eight (8) months following the date on which the Participant acquired the Transfer Units or (b) the date thirty (30) days after the date that exercise of the Right of First Refusal and payment for the Transfer Units would no longer be prevented by the provisions of any law, regulation or agreement that would prohibit the redemption by the Company of the Transfer Units..

8.5 **Failure to Exercise Right of First Refusal.** If the Company fails to exercise the Right of First Refusal in full (or to such lesser extent as the Company and the Participant otherwise agree) within the period specified in Section 8.4 above, the Participant may conclude a transfer to the Proposed Transferee of the Transfer Units on the terms and conditions described in the Transfer Notice, provided such transfer occurs not later than ninety (90) days following delivery to the Company of the Transfer Notice or, if applicable, following the end of the period described in the last sentence of Section 8.4. The Company shall have the right to demand further assurances from the Participant and the Proposed Transferee (in a form satisfactory to the Company) that the transfer of the Transfer Units was actually carried out on the terms and conditions described in the Transfer Notice. No Transfer Units shall be transferred on the books of the Company until the Company has received such assurances, if so demanded, and has approved the proposed transfer as bona fide. Any proposed transfer on terms and conditions different from those described in the Transfer Notice, as well as any subsequent proposed transfer by the Participant, shall again be subject to the Right of First Refusal and shall require compliance by the Participant with the procedure described in this Section.

8.6 **Transferees of Transfer Units.** All transferees of the Transfer Units or any interest therein, other than the Company, shall be required as a condition of such transfer to agree in writing (in a form satisfactory to the Company) that such transferee shall receive and hold such Transfer Units or interest therein subject to all of the terms and conditions of this Agreement, including this Section providing for the Right of First Refusal with respect to any subsequent transfer. Any sale or transfer of any Units shall be void unless the provisions of this Section are met.

8.7 **Transfers Not Subject to Right of First Refusal.** The Right of First Refusal shall not apply to any transfer or exchange of the Units if such transfer or exchange is in connection with an Ownership Change Event. If the consideration received pursuant to such transfer or exchange consists of securities of a Participating Company, such consideration shall remain subject to the Right of First Refusal unless the provisions of Section 8.9 result in a termination of the Right of First Refusal.

8.8 **Assignment of Right of First Refusal.** The Company shall have the right to assign the Right of First Refusal at any time, whether or not there has been an attempted transfer, to one or more persons as may be selected by the Company.

8.9 **Early Termination of Right of First Refusal.** The other provisions of this Agreement notwithstanding, the Right of First Refusal shall terminate and be of no further force and effect upon the existence of a public market for the class of securities

subject to the Right of First Refusal. A *"**public market**"* shall be deemed to exist if (i) such securities listed on a national securities exchange (as that term is used in the Exchange Act) or (ii) such securities are traded on the over-the-counter market and prices therefor are published daily on business days in a recognized financial journal.

9. **VESTED UNIT REPURCHASE OPTION.**

9.1 **Grant of Vested Unit Repurchase Option.** Except as provided in Section 9.4 below, in the event of the occurrence of any Repurchase Event, as defined below, the Company shall have the right to repurchase the Vested Units acquired by the Participant pursuant to the Award (the *"**Repurchase Units**"*) under the terms and subject to the conditions set forth in this Section (the *"**Vested Unit Repurchase Option**"*). Each of the following events shall constitute a *"**Repurchase Event**"*:

(a) Termination of the Participant's Service for any reason or no reason, with or without cause, including death or Disability. The Repurchase Period, as defined below, shall commence on the date of termination of the Participant's Service.

(b) The Participant, the Participant's legal representative, or other holder of Vested Units acquired pursuant to the Award attempts to sell, exchange, transfer, pledge, or otherwise dispose of any Repurchase Units without complying with the provisions of Section 8. The Repurchase Period, as defined below, shall commence on the date the Company receives actual notice of such attempted sale, exchange, transfer, pledge or other disposition.

(c) The receivership, bankruptcy or other creditor's proceeding regarding the Participant or the taking of any of the Participant's Vested Units by legal process, such as a levy of execution. The Repurchase Period, as defined below, shall commence on the date the Company receives actual notice of the commencement of pendency of the receivership, bankruptcy or other creditor's proceeding or the date of such taking, as the case may be. The Fair Market Value of the Repurchase Units shall be determined as of the last day of the month preceding the month in which the proceeding involved commenced or the taking occurred.

9.2 **Exercise of Vested Unit Repurchase Option.** The Company may exercise the Vested Unit Repurchase Option by written notice to the Participant, the Participant's legal representative, or other holder of the Repurchase Units, as the case may be, during the Repurchase Period. The *"**Repurchase Period**"* shall be the period commencing at the time set forth in Section 9.1 above and ending on the later of (a) the date ninety (90) days after the commencement of the Repurchase Period or (b) the date nine (9) months after the Units acquired pursuant to the Award have become Vested Units; provided, however, that if the redemption by the Company of the Repurchase Units during any portion of the Repurchase Period would violate the provisions of any law, regulation or agreement, the Vested Unit Repurchase Option shall remain exercisable until the later of the (the "*Extended Repurchase Period")* (a) thirty (30) days after the date such exercise would no longer be prevented by such provisions or (b) the end of the Repurchase Period. If the Company fails to give notice during the Repurchase Period or the Extended Repurchase Period, as applicable, the Vested Unit Repurchase Option shall terminate (unless the Company and the Participant have extended the time for the exercise of the Vested Unit Repurchase Option) unless and until there is a subsequent Repurchase Event. Notwithstanding a termination of the Vested Unit Repurchase Option, the remaining provisions of this Agreement shall remain

in full force and effect, including, without limitation, the Right of First Refusal set forth in Section 8. If there is a subsequent Repurchase Event, the Vested Unit Repurchase Option shall again become exercisable as provided in this Section 9. The Vested Unit Repurchase Option must be exercised, if at all, for all of the Repurchase Units, except as the Company and the Participant otherwise agree.

9.3 **Payment for Repurchase Units.** The repurchase price per Unit being repurchased by the Company pursuant to the Vested Unit Repurchase Option shall be an amount equal to the Fair Market Value of the Units determined as of the date of the Repurchase Event (except as otherwise provided in Section 9.1(c)) by the Board in good faith; provided, however, that if the Repurchase Event is the termination of the Participant's Service for Cause, the repurchase price per Unit shall be the lesser of such Fair Market Value or the purchase price, if any, paid by the Participant to acquire such Unit. Payment by the Company to the Participant shall be made in cash on or before the last day of the Repurchase Period. For purposes of the foregoing, cancellation of any indebtedness of the Participant to any Participating Company shall be treated as payment to the Participant in cash to the extent of the unpaid principal and any accrued interest canceled.

9.4 **Transfers Not Subject to Vested Unit Repurchase Option.** The Vested Unit Repurchase Option shall not apply to any transfer or exchange of Vested Units if such transfer or exchange is in connection with an Ownership Change Event. If the consideration received pursuant to such transfer or exchange consists of securities of a Participating Company, such consideration will remain subject to the Vested Unit Repurchase Option unless the provisions of Section 9.6 result in a termination of the Vested Unit Repurchase Option.

9.5 **Assignment of Vested Unit Repurchase Option.** The Company shall have the right to assign the Vested Unit Repurchase Option at any time, whether or not such option is then exercisable, to one or more persons as may be selected by the Company.

9.6 **Early Termination of Vested Unit Repurchase Option.** The other provisions of this Agreement notwithstanding, the Vested Unit Repurchase Option shall terminate and be of no further force and effect upon the existence of a public market, as defined in Section 8.9, for the class of securities subject to the Vested Unit Repurchase Option.

10. **ESCROW.**

10.1 **Appointment of Agent.** To ensure that Units subject to the Company Reacquisition Right will be available for reacquisition, the Participant and the Company hereby appoint the Secretary of the Company, or any other person designated by the Company, as their agent and as attorney-in-fact for the Participant (the "***Agent***") to hold any and all Unvested Units and to sell, assign and transfer to the Company any such Unvested Units reacquired by the Company pursuant to the Company Reacquisition Right. The Participant understands that appointment of the Agent is a material inducement to make this Agreement and that such appointment is coupled with an interest and is irrevocable. The Agent shall not be personally liable for any act the Agent may do or omit to do hereunder as escrow agent, agent for the Company, or attorney in fact for the Participant while acting in good faith and in the exercise of the Agent's own good judgment, and any act done or omitted by the Agent pursuant to the advice of the Agent's own attorneys shall be conclusive evidence

of such good faith. The Agent may rely upon any letter, notice or other document executed by any signature purporting to be genuine and may resign at any time.

10.2 **Establishment of Escrow.** The Participant authorizes the Company to deposit the Unvested Units with the Company's transfer agent to be held in book entry form, as provided by Section 5.4, and the Participant agrees to deliver to and deposit with the Agent each certificate, if any, evidencing the Units and an Assignment Separate from Certificate with respect to such book entry Units and each such certificate duly endorsed (with date and number of Units blank) in the form attached to this Agreement, to be held by the Agent under the terms and conditions of this Section (the "***Escrow***"). Upon the occurrence of an Ownership Change Event, a dividend or distribution to the Unit holders of the Company paid in Units or other property, or any other adjustment upon a change in the capital structure of the Company, as described in Section 12, any and all new, substituted or additional securities or other property to which the Participant is entitled by reason of his or her ownership of the Units that remain, following such Ownership Change Event, dividend, distribution or change described in Section 12, subject to the Company Reacquisition Right shall be immediately subject to the Escrow to the same extent as the Units immediately before such event. The Company shall bear the expenses of the Escrow.

10.3 **Delivery of Units to Participant.** The Escrow shall continue with respect to any Units for so long as such Units remain subject to the Company Reacquisition Right. Upon termination of the Company Reacquisition Right with respect to Units, the Company shall so notify the Agent and direct the Agent to deliver such number of Units to the Participant. As soon as practicable after receipt of such notice, the Agent shall cause the Units specified by such notice to be delivered to the Participant, and the Escrow shall terminate with respect to such Units.

10.4 **Notices and Payments.** In the event the Units and any other property held in escrow are subject to the Company's exercise of the Company Reacquisition Right, the Right of First Refusal or the Vested Unit Repurchase Option, the notices required to be given to the Participant shall be given to the Agent, and any payment required to be given to the Participant shall be given to the Agent. Within thirty (30) days after payment by the Company, the Agent shall deliver the Units and any other property which the Company has purchased to the Company and shall deliver the payment received from the Company to the Participant.

11. **Effect of Change in Control.**

In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the "***Acquiror***"), may, without the consent of the Participant, assume or continue in full force and effect the Company's rights and obligations under the Award or substitute for the Award a substantially equivalent award for the Acquiror's securities. For purposes of this Section, the Award shall be deemed assumed if, following the Change in Control, the Award confers the right to receive, subject to the terms and conditions of the Plan and this Agreement, for each Unit subject to the Award immediately prior to the Change in Control, the consideration (whether units, stock, cash, other securities or property or a combination thereof) to which a holder of a Unit on the effective date of the Change in Control was entitled. Notwithstanding the foregoing, Units acquired pursuant to the Award prior to the Change in Control and any consideration received pursuant to the Change in Control with respect to such Units shall

continue to be subject to all applicable provisions of this Agreement except as otherwise provided herein.

12. **Adjustments for Changes in Capital Structure.**

Subject to any required action by the members of the Company, in the event of any change in the Units effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, Unit dividend, split, reverse split, split-up, split-off, spin-off, combination of Units, exchange of Units, Solvent Reorganization (as defined by the Operating Agreement) or similar change in the capital structure of the Company, adjustments shall be made as the Board determines appropriate in order to prevent dilution or enlargement of the Participant's rights under the Award, including, without limitation, (i) adjusting the number and/or kind of Units subject to the Award; (ii) adjusting the Vesting Conditions, and/or (iii) providing for substitute awards, accelerating vesting, and/or effecting the lapse of restrictions; provided, however, that in the case of any "equity restructuring" (within the meaning of the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004), the Board shall make an equitable or proportionate adjustment to the Option to reflect such equity restructuring. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." Any and all new, substituted or additional securities or other property to which Participant is entitled by reason of ownership of Units acquired pursuant to the Award will be immediately subject to the provisions of the Award on the same basis as all Units originally acquired hereunder. Any fractional Unit resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number. Such adjustments shall be determined by the Board, and its determination shall be final, binding and conclusive.

13. **Rights as a Member, Manager, Employee or Consultant.**

The Participant shall have no rights as a member with respect to any Units subject to the Award until the date of the issuance of the Units (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date the Units are issued, except as provided in Section 12. Subject to the provisions of this Agreement, the Participant shall exercise all rights and privileges of a member of the Company with respect to Units deposited in the Escrow pursuant to Section 9. If the Participant is an Employee, the Participant understands and acknowledges that, except as otherwise provided in a separate, written employment agreement between a Participating Company and the Participant, the Participant's employment is "at will" and is for no specified term. Nothing in this Agreement shall confer upon the Participant any right to continue in the Service of a Participating Company or interfere in any way with any right of the Participating Company Group to terminate the Participant's Service, as the case may be, at any time.

14. **Legends.**

If the Units are at any time evidenced by certificates, the Company may at any time place legends referencing the Company Reacquisition Right, Right of First Refusal, the Vested Unit Repurchase Option and any applicable federal, state or foreign securities law, including Local Law, restrictions on all certificates representing Units. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates

representing securities acquired pursuant to the Award in the possession of the Participant in order to carry out the provisions of this Section. Unless otherwise specified by the Company, legends placed on such certificates may include, but shall not be limited to, the following:

14.1 "THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR QUALIFIED UNDER ANY STATE SECURITIES LAWS AND, AS SUCH, THEY MAY NOT BE OFFERED FOR SALE, SOLD, DELIVERED AFTER SALE, TRANSFERRED, PLEDGED, OR HYPOTHECATED IN THE ABSENCE OF SUCH REGISTRATION IN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S UNDER THE SECURITIES ACT, PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO REGISTRATION UNDER THE SECURITIES ACT. THE HOLDER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE AGREES NOT TO ENGAGE IN HEDGING TRANSACTIONS WITH REGARD TO THE SECURITIES UNLESS IN COMPLIANCE WITH THE SECURITIES ACT."

14.2 "THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND REPURCHASE OPTIONS IN FAVOR OF THE CORPORATION OR ITS ASSIGNEE SET FORTH IN AN AGREEMENT BETWEEN THE CORPORATION AND THE REGISTERED HOLDER, OR SUCH HOLDER'S PREDECESSOR IN INTEREST, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THIS CORPORATION."

15. **Lock-Up Agreement.**

The Participant hereby agrees that in the event of any underwritten public offering of securities, including an initial public offering of securities, made by the Company pursuant to an effective registration statement filed under the Securities Act, the Participant shall not offer, sell, contract to sell, pledge, hypothecate, grant any option to purchase or make any short sale of, or otherwise dispose of any securities of the Company or any rights to acquire securities of the Company for such period of time from and after the effective date of such registration statement as may be established by the underwriter for such public offering; provided, however, that such period of time shall not exceed one hundred eighty (180) days from the effective date of the registration statement to be filed in connection with such public offering; provided, further, however, that such one hundred eighty (180) day period may be extended for an additional period, not to exceed twenty (20) days, upon the request of the Company or the underwriter to accommodate regulatory restrictions on (i) the publication or other distribution of research reports and (ii) analyst recommendations and opinions, including but not limited to, the restrictions contained in NASD Rule 2711(f)(4) or NYSE Rule 472(f0(4), or any successor provisions or amendments thereto. The foregoing limitation shall not apply to securities registered in the public offering under the Securities Act. The Participant hereby agrees to enter into any agreement reasonably required by the underwriters to implement the foregoing within a reasonable timeframe if so requested by the Company.

16. **Transfers in Violation of Agreement.**

No Units may be sold, exchanged, transferred, assigned, pledged, hypothecated or otherwise disposed of, including by operation of law, in any manner which violates any of the provisions of this Agreement or the Operating Agreement and, except pursuant to an Ownership Change Event, until the date on which such Units become Vested Units, and any such attempted disposition shall be void. The Company shall not be required (a) to transfer on its books any Units which will have been transferred in violation of any of the provisions set forth in this Agreement or the Operating Agreement or (b) to treat as owner of such Units or to accord the right to vote as such owner or to pay dividends to any transferee to whom such Units will have been so transferred. In order to enforce its rights under this Section, the Company shall be authorized to give a stop transfer instruction with respect to the Units to the Company's transfer agent.

17. **Miscellaneous Provisions.**

17.1 **Termination or Amendment.** The Board may terminate or amend the Plan or this Agreement at any time; provided, however, that no such termination or amendment may have a materially adverse effect on the Participant's rights under this Agreement without the consent of the Participant, unless such termination or amendment is necessary to comply with any applicable law or government regulation. No amendment or addition to this Agreement shall be effective unless in writing.

17.2 **Nontransferability of the Award.** The right to acquire Units pursuant to the Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to the Award shall be exercisable during the Participant's lifetime only by the Participant or the Participant's guardian or legal representative.

17.3 **Further Instruments.** The parties hereto agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement.

17.4 **Binding Effect.** This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon the Participant and the Participant's heirs, executors, administrators, successors and assigns.

17.5 **Delivery of Documents and Notices.** Any document relating to participation in the Plan, or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Participant by a Participating Company, or upon deposit in the U.S. Post Office or foreign postal service, by registered or certified mail, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed to the other party at the address of such party set forth in the Grant Notice or at such other address as such party may designate in writing from time to time to the other party.

(a) ***Description of Electronic Delivery.*** The Plan documents, which may include but do not necessarily include: the Plan, the Grant Notice, this Agreement, the Operating Agreement and any reports of the Company provided generally to the Company's Unit holders, may be delivered to the Participant electronically. In addition, if permitted by the Company, the Participant may deliver electronically the Grant Notice to the Company or to such third party involved in administering the Plan as the Company may designate from time to time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the Internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.

(b) ***Consent to Electronic Delivery.*** The Participant acknowledges that the Participant has read Section 17.5(a) of this Agreement and consents to the electronic delivery of the Plan documents and, if permitted by the Company, the delivery of the Grant Notice and notices in connection with the Escrow, as described in Section 17.5(a). The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Section 17.5(a) or may change the electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 17.5(a).

17.6 **Integrated Agreement.** The Grant Notice, this Agreement and the Plan, together with the Operating Agreement and any employment, service or other agreement between the Participant and a Participating Company referring to the Award, shall constitute the entire understanding and agreement of the Participant and the Participating Company Group with respect to the subject matter contained herein or therein and supersede any prior agreements, understandings, restrictions, representations, or warranties among the Participant and the Participating Company Group with respect to such subject matter. To the extent contemplated herein or therein, the provisions of the Grant Notice, this Agreement, the Plan and the Operating Agreement shall survive any settlement of the Award and shall remain in full force and effect.

17.7 **Applicable Law.** The Agreement shall be governed by the laws of the State of California as such laws are applied to agreements between California residents entered into and to be performed entirely within the State of California. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties as evidenced by this Option Agreement, the parties hereby submit to and consent to the jurisdiction of the State of California and agree that such litigation shall be conducted only in the courts of the County of Santa Clara, California, or the federal courts of the United States for the Northern District of California, and no other courts, where this Option Agreement is made and/or performed.

17.8 **Counterparts.** The Grant Notice may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED the undersigned does hereby sell, assign and transfer unto _____ (_____) Units of MagnaChip Semiconductor LLC standing in the undersigned's name on the books of said corporation and does hereby irrevocably constitute and appoint _____ Attorney to transfer the said Units on the books of said corporation with full power of substitution in the premises.

Dated: _____

_____
Signature

_____
Print Name

Instructions: Please do not fill in any blanks other than the signature line. The purpose of this assignment is to enable the Company to exercise its Company Reacquisition Right set forth in the Restricted Unit Agreement without requiring additional signatures on the part of the Participant.

THE SECURITIES WHICH ARE THE SUBJECT OF THIS AGREEMENT HAVE NOT BEEN QUALIFIED WITH THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA AND THE ISSUANCE OF SUCH SECURITIES OR THE PAYMENT OR RECEIPT OF ANY PART OF THE CONSIDERATION THEREFOR PRIOR TO SUCH QUALIFICATION IS UNLAWFUL, UNLESS THE SALE OF SECURITIES IS EXEMPT FROM QUALIFICATION BY SECTION 25100, 25102, OR 25105 OF THE CALIFORNIA CORPORATIONS CODE. THE RIGHTS OF ALL PARTIES TO THIS AGREEMENT ARE EXPRESSLY CONDITIONED UPON SUCH QUALIFICATION BEING OBTAINED, UNLESS THE SALE IS SO EXEMPT.

THE SECURITIES WHICH ARE THE SUBJECT OF THIS AGREEMENT HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH SALE OR DISPOSITION MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933.

MAGNACHIP SEMICONDUCTOR LLC
RESTRICTED UNIT AGREEMENT
[US Participants]

MagnaChip Semiconductor LLC has granted to the Participant named in the *Notice of Grant of Restricted Units* (the *"**Grant Notice**"*) to which this Restricted Unit Agreement (the *"**Agreement**"*) is attached an Award consisting of Units subject to the terms and conditions set forth in the Grant Notice and this Agreement. The Award has been granted pursuant to and shall in all respects be subject to the terms and conditions of the MagnaChip Semiconductor LLC 2009 Common Unit Plan (the *"**Plan**"*), as amended to the Date of Grant, the provisions of which are incorporated herein by reference. By signing the Grant Notice, the Participant: (a) acknowledges receipt of, and represents that the Participant has read and is familiar with, the Grant Notice, this Agreement, the Plan and the Operating Agreement, (b) accepts the Award subject to all of the terms and conditions of the Grant Notice, this Agreement, the Plan and the Operating, and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Board upon any questions arising under such documents.

1. **Definitions and Construction.**

1.1 **Definitions.** Unless otherwise defined herein, capitalized terms shall have the meanings assigned to such terms in the Grant Notice or the Plan.

1.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

2. **TAX MATTERS.**

2.1 **Election under Section 83(b) of the Code.** The Participant understands that Section 83 of the Code taxes as ordinary income the difference between the amount paid for the Units, if anything, and the fair market value of the Units as of the date on which the Units are "substantially vested," within the meaning of Section 83. In this context, "substantially vested" means that the right of the Company to reacquire the Units pursuant to the Company Reacquisition Right has lapsed. The Participant understands that he or she may elect to have his or her taxable income determined at the time he or she acquires the Units rather than when and as the Company Reacquisition Right lapses by filing an election under Section 83(b) of the Code with the Internal Revenue Service no later than thirty (30) days after the date of acquisition of the Units. The Participant understands that failure to make a timely filing under Section 83(b) will result in his or her recognition of ordinary income, as the Company Reacquisition Right lapses, on the difference between the purchase price, if anything, and the fair market value of the Units at the time such restrictions lapse. The Participant further understands, however, that if Units with respect to which an election under Section 83(b) has been made are forfeited to the Company pursuant to its Company Reacquisition Right, such forfeiture will be treated as a sale on which there is realized a loss equal to the excess (if any) of the amount paid (if any) by the Participant for the forfeited Units over the amount realized (if any) upon their forfeiture. If the Participant has paid nothing for the forfeited Units and has received no payment upon their forfeiture, the Participant understands that he or she will be unable to recognize any loss on the forfeiture of the Units even though the Participant incurred a tax liability by making an election under Section 83(b).

2.2 **Notice to Company.** The Participant will notify the Company in writing if the Participant files an election pursuant to Section 83(b) of the Code. The Company intends, in the event it does not receive from the Participant evidence of such filing, to claim a tax deduction for any amount which would otherwise be taxable to the Participant in the absence of such an election.

2.3 **Valuation of the Units.**

(a) The Units have been valued by the Company, and the Company believes this valuation represents a fair attempt at reaching an accurate appraisal of their worth. The Participant understands, however, that the Company can give no assurances that such valuation is in fact the fair market value of the Units and that it is possible that with the benefit of hindsight, the Internal Revenue Service would successfully assert that the value of the Units on any relevant date is greater than so determined.

(b) If the Internal Revenue Service were to succeed in a tax determination under the Code that the Units received have a value greater than that determined by the Company, the additional value would constitute ordinary income as of the date of the Participant's realization of income. The additional taxes (and interest) due would be payable by the Participant, and there is no provision for the Company to reimburse him or her for that tax liability, and the Participant assumes all responsibility for such potential tax liability. Under present law, in the event such additional value would represent more than twenty-five (25%) of the Participant's gross income for the year in which the value of the Units were taxable, the Internal Revenue Service would have six (6) years from the due date for filing the return (or the actual filing date of the return if filed thereafter) within which to access the Participant the additional tax and interest which would then be due. The Company

undertakes no obligation to inform the Participant of any change in the tax laws which may effect this Agreement or its consequences.

2.4 **Consultation with Tax Advisors.** The Participant understands that he or she should consult with his or her tax advisor regarding the advisability of filing with the IRS an election under Section 83(b) of the Code, which must be filed no later than thirty (30) days after the date of the acquisition or the Units pursuant to this Agreement. Failure to file an election under Section 83(b), if appropriate, may result in adverse tax consequences to the Participant. The Participant acknowledges that he or she has been advised to consult with a tax advisor regarding the tax consequences to the Participant of the purchase of Units hereunder. ANY ELECTION UNDER SECTION 83(b) THE PARTICIPANT WISHES TO MAKE MUST BE FILED NO LATER THAN 30 DAYS AFTER THE DATE ON WHICH THE PARTICIPANT ACQUIRES THE UNITS. THIS TIME PERIOD CANNOT BE EXTENDED. THE PARTICIPANT ACKNOWLEDGES THAT TIMELY FILING OF A SECTION 83(b) ELECTION IS THE PARTICIPANT'S SOLE RESPONSIBILITY, EVEN IF THE PARTICIPANT REQUESTS THE COMPANY OR ITS REPRESENTATIVE TO FILE SUCH ELECTION ON HIS OR HER BEHALF.

2.5 **Tax Withholding**.

(a) ***In General.*** At the time the Grant Notice is executed, or at any time thereafter as requested by a Participating Company, the Participant hereby authorizes withholding from payroll and any other amounts payable to the Participant, and otherwise agrees to make adequate provision for, any sums required to satisfy the federal, state, local and foreign tax (including any social insurance) withholding obligations of the Participating Company, if any, which arise in connection with the Award, including, without limitation, obligations arising upon (a) the transfer of Units to the Participant, (b) the lapsing of any restriction with respect to any Units, (c) the filing of an election to recognize tax liability, or (d) the transfer by the Participant of any Units. The Company shall have no obligation to deliver the Units or to release any Units from the Escrow established pursuant to Section 8 until the tax withholding obligations of the Participating Company have been satisfied by the Participant.

(b) ***Withholding in Units.*** The Company shall have the right, but not the obligation, to require the Participant to satisfy all or any portion of a Participating Company's tax withholding obligations by withholding a number of whole Vested Units otherwise deliverable to the Participant or by the Participant's tender to the Company of a number of whole Vested Units or vested Units acquired otherwise than pursuant to the Award having, in any such case, a fair market value, as determined by the Company as of the date on which the tax withholding obligations arise, not in excess of the amount of such tax withholding obligations determined by the applicable minimum statutory withholding rates.

3. **ADMINISTRATION.**

All questions of interpretation concerning the Grant Notice, this Agreement and the Plan, the Operating Agreement, and any other form of agreement or other document employed by the Board or the Company in the administration of the Plan or the Award shall be determined by the Board. All such determinations by the Board shall be final, binding and conclusive upon all persons having an interest in the Award, unless fraudulent or made in bad faith. Any and all actions, decisions and determinations taken or made by the Board in the exercise of its discretion pursuant to the Plan or the Award or other agreement thereunder

(other than determining questions of interpretation pursuant to the preceding sentence) shall be final, binding and conclusive upon all persons having an interest in the Award. Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, or election which is the responsibility of or which is allocated to the Company herein, provided the Officer has actual authority with respect to such matter, right, obligation, or election.

4. **THE AWARD.**

4.1 **Grant and Issuance of Units.** On the Date of Grant, the Participant shall acquire and the Company shall issue, subject to the provisions of this Agreement, a number of Units equal to the Total Number of Units. As a condition to the issuance of the Units, the Participant shall execute and deliver the Grant Notice to the Company, accompanied by (a) an Assignment Separate from Certificate duly endorsed (with date and number of Units blank) in the form provided by the Company and (b) such executed documents, if any, as may be required pursuant to Section 4.2.

4.2 **Issuance of Units Subject to Operating Agreement.** If required by the Board, the Participant shall not be entitled to acquire any Units pursuant to the Award and to be admitted as a member of the Company thereby unless and until the Participant has executed and delivered to the Company a written undertaking in a form acceptable to the Board to be bound by the terms and conditions of the Operating Agreement and/or any lock-up or other documents the Board reasonably determines to be necessary or appropriate in connection with the issuance of such Units.

4.3 **No Monetary Payment Required.** The Participant is not required to make any monetary payment (other than to satisfy applicable tax withholding, if any, with respect to the issuance or vesting of the Units) as a condition to receiving the Units, the consideration for which shall be past services actually rendered or future services to be rendered to a Participating Company or for its benefit.

4.4 **Beneficial Ownership of Units; Certificate Registration.** The Participant hereby authorizes the Company, in its sole discretion, to deposit the Units with the Company's transfer agent, including any successor transfer agent, to be held in book entry form during the term of the Escrow pursuant to Section 8. Furthermore, the Participant hereby authorizes the Company, in its sole discretion, to deposit, following the term of such Escrow, for the benefit of the Participant with any broker with which the Participant has an account relationship of which the Company has notice any or all Units which are no longer subject to such Escrow. Except as provided by the foregoing, the Units shall be registered in book entry form with the Company or its transfer agent or shall be in certificate form, in either case registered in the name of the Participant, or, if applicable, in the names of the heirs of the Participant.

4.5 **Issuance of Units in Compliance with Law.** The issuance of Units shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. No Units shall be issued hereunder if their issuance would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Units may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance of any Units shall relieve the Company of any liability in respect of the

failure to issue such Units as to which such requisite authority shall not have been obtained. As a condition to the issuance of the Units, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

5. **Vesting of Units.**

5.1 **Normal Vesting.** Units acquired pursuant to this Agreement shall become Vested Units as provided in the Grant Notice. For purposes of determining the number of Vested Units following an Ownership Change Event, credited Service shall include all Service with any corporation which is a Participating Company at the time the Service is rendered, whether or not such corporation is a Participating Company both before and after the Ownership Change Event.

5.2 **Acceleration of Vesting Upon a Change in Control**. In the event of a Change in Control, the vesting of the Units shall be accelerated in full, and the Total Number of Units shall be deemed Vested Units effective as of the consummation of the Change in Control, provided that the Participant's Service has not terminated prior to such date.

6. **Company Reacquisition Right.**

6.1 **Grant of Company Reacquisition Right.** In the event that (a) the Participant's Service terminates for any reason or no reason, with or without cause, or, (b) the Participant, the Participant's legal representative, or other holder of the Units, attempts to sell, exchange, transfer, pledge, or otherwise dispose of (other than pursuant to an Ownership Change Event), including, without limitation, any transfer to a nominee or agent of the Participant, any Units which are not Vested Units ("***Unvested Units***"), the Participant shall forfeit and the Company shall automatically reacquire the Unvested Units, and the Participant shall not be entitled to any payment therefor (the "***Company Reacquisition Right***").

6.2 **Ownership Change Event, Dividends, Distributions and Adjustments.** Upon the occurrence of an Ownership Change Event, a dividend or distribution to the Unit holders of the Company paid in Units or other property, or any other adjustment upon a change in the capital structure of the Company as described in Section 11, any and all new, substituted or additional securities or other property to which the Participant is entitled by reason of the Participant's ownership of Unvested Units shall be immediately subject to the Company Reacquisition Right and included in the terms "Units" and "Unvested Units" for all purposes of the Company Reacquisition Right with the same force and effect as the Unvested Units immediately prior to the Ownership Change Event, dividend, distribution or adjustment, as the case may be. For purposes of determining the number of Vested Units following an Ownership Change Event, dividend, distribution or adjustment, credited Service shall include all Service with any corporation which is a Participating Company at the time the Service is rendered, whether or not such corporation is a Participating Company both before and after any such event.

7. **Right of First Refusal.**

7.1 **Grant of Right of First Refusal.** Except as provided in Section 7.7 and Section 15 below, in the event the Participant, the Participant's legal representative, or

other holder of Units subject to the Award proposes to sell, exchange, transfer, pledge, or otherwise dispose of any Vested Units (the *"**Transfer Units**"*) to any person or entity, including, without limitation, any Unit holder of a Participating Company, the Company shall have the right to repurchase the Transfer Units under the terms and subject to the conditions set forth in this Section (the *"**Right of First Refusal**"*).

7.2 **Notice of Proposed Transfer.** Prior to any proposed transfer of the Transfer Units, the Participant shall deliver written notice (the *"**Transfer Notice**"*) to the Company describing fully the proposed transfer, including the number of Transfer Units, the name and address of the proposed transferee (the *"**Proposed Transferee**"*) and, if the transfer is voluntary, the proposed transfer price, and containing such information necessary to show the bona fide nature of the proposed transfer. In the event of a bona fide gift or involuntary transfer, the proposed transfer price shall be deemed to be the Fair Market Value of the Transfer Units, as determined by the Board in good faith. If the Participant proposes to transfer any Transfer Units to more than one Proposed Transferee, the Participant shall provide a separate Transfer Notice for the proposed transfer to each Proposed Transferee. The Transfer Notice shall be signed by both the Participant and the Proposed Transferee and must constitute a binding commitment of the Participant and the Proposed Transferee for the transfer of the Transfer Units to the Proposed Transferee subject only to the Right of First Refusal.

7.3 **Bona Fide Transfer.** If the Company determines that the information provided by the Participant in the Transfer Notice is insufficient to establish the bona fide nature of a proposed voluntary transfer, the Company shall give the Participant written notice of the Participant's failure to comply with the procedure described in this Section 7, and the Participant shall have no right to transfer the Transfer Units without first complying with the procedure described in this Section 7. The Participant shall not be permitted to transfer the Transfer Units if the proposed transfer is not bona fide.

7.4 **Exercise of Right of First Refusal.** If the Company determines the proposed transfer to be bona fide, the Company shall have the right to purchase all, but not less than all, of the Transfer Units (except as the Company and the Participant otherwise agree) at the purchase price and on the terms set forth in the Transfer Notice by delivery to the Participant of a notice of exercise of the Right of First Refusal within thirty (30) days after the date the Transfer Notice is delivered to the Company. The Company's exercise or failure to exercise the Right of First Refusal with respect to any proposed transfer described in a Transfer Notice shall not affect the Company's right to exercise the Right of First Refusal with respect to any proposed transfer described in any other Transfer Notice, whether or not such other Transfer Notice is issued by the Participant or issued by a person other than the Participant with respect to a proposed transfer to the same Proposed Transferee. If the Company exercises the Right of First Refusal, the Company and the Participant shall thereupon consummate the sale of the Transfer Units to the Company on the terms set forth in the Transfer Notice within sixty (60) days after the date the Transfer Notice is delivered to the Company (unless a longer period is offered by the Proposed Transferee); provided, however, that in the event the Transfer Notice provides for the payment for the Transfer Units other than in cash, the Company shall have the option of paying for the Transfer Units by the present value cash equivalent of the consideration described in the Transfer Notice as reasonably determined by the Company. For purposes of the foregoing, cancellation of any indebtedness of the Participant to any Participating Company shall be treated as payment to the Participant in cash to the extent of the unpaid principal and any accrued interest canceled.

Notwithstanding anything contained in this Section to the contrary, the period during which the Company may exercise the Right of First Refusal and consummate the purchase of the Transfer Units from the Participant shall terminate no sooner than the later of (a) the date eight (8) months following the date on which the Participant acquired the Transfer Units or (b) the date thirty (30) days after the date that exercise of the Right of First Refusal and payment for the Transfer Units would no longer be prevented by the provisions of any law, regulation or agreement that would prohibit the redemption by the Company of the Transfer Units.

7.5 **Failure to Exercise Right of First Refusal.** If the Company fails to exercise the Right of First Refusal in full (or to such lesser extent as the Company and the Participant otherwise agree) within the period specified in Section 7.4 above, the Participant may conclude a transfer to the Proposed Transferee of the Transfer Units on the terms and conditions described in the Transfer Notice, provided such transfer occurs not later than ninety (90) days following delivery to the Company of the Transfer Notice or, if applicable, following the end of the period described in the last sentence of Section 7.4. The Company shall have the right to demand further assurances from the Participant and the Proposed Transferee (in a form satisfactory to the Company) that the transfer of the Transfer Units was actually carried out on the terms and conditions described in the Transfer Notice. No Transfer Units shall be transferred on the books of the Company until the Company has received such assurances, if so demanded, and has approved the proposed transfer as bona fide. Any proposed transfer on terms and conditions different from those described in the Transfer Notice, as well as any subsequent proposed transfer by the Participant, shall again be subject to the Right of First Refusal and shall require compliance by the Participant with the procedure described in this Section.

7.6 **Transferees of Transfer Units.** All transferees of the Transfer Units or any interest therein, other than the Company, shall be required as a condition of such transfer to agree in writing (in a form satisfactory to the Company) that such transferee shall receive and hold such Transfer Units or interest therein subject to all of the terms and conditions of this Agreement, including this Section providing for the Right of First Refusal with respect to any subsequent transfer. Any sale or transfer of any Units shall be void unless the provisions of this Section are met.

7.7 **Transfers Not Subject to Right of First Refusal.** The Right of First Refusal shall not apply to any transfer or exchange of the Units if such transfer or exchange is in connection with an Ownership Change Event. If the consideration received pursuant to such transfer or exchange consists of securities of a Participating Company, such consideration shall remain subject to the Right of First Refusal unless the provisions of Section 7.9 result in a termination of the Right of First Refusal.

7.8 **Assignment of Right of First Refusal.** The Company shall have the right to assign the Right of First Refusal at any time, whether or not there has been an attempted transfer, to one or more persons as may be selected by the Company.

7.9 **Early Termination of Right of First Refusal.** The other provisions of this Agreement notwithstanding, the Right of First Refusal shall terminate and be of no further force and effect upon the existence of a public market for the class of securities subject to the Right of First Refusal. A ***"public market"*** shall be deemed to exist if (i) such securities listed on a national securities exchange (as that term is used in the Exchange Act)

or (ii) such securities are traded on the over-the-counter market and prices therefor are published daily on business days in a recognized financial journal.

8. **VESTED UNIT REPURCHASE OPTION.**

8.1 **Grant of Vested Unit Repurchase Option.** Except as provided in Section 8.4 below, in the event of the occurrence of any Repurchase Event, as defined below, the Company shall have the right to repurchase the Vested Units acquired by the Participant pursuant to the Award (the *"**Repurchase Units**"*) under the terms and subject to the conditions set forth in this Section (the *"**Vested Unit Repurchase Option**"*). Each of the following events shall constitute a *"**Repurchase Event**"*:

(a) Termination of the Participant's Service for any reason or no reason, with or without cause, including death or Disability. The Repurchase Period, as defined below, shall commence on the date of termination of the Participant's Service.

(b) The Participant, the Participant's legal representative, or other holder of Vested Units acquired pursuant to the Award attempts to sell, exchange, transfer, pledge, or otherwise dispose of any Repurchase Units without complying with the provisions of Section 7. The Repurchase Period, as defined below, shall commence on the date the Company receives actual notice of such attempted sale, exchange, transfer, pledge or other disposition.

(c) The receivership, bankruptcy or other creditor's proceeding regarding the Participant or the taking of any of the Participant's Vested Units by legal process, such as a levy of execution. The Repurchase Period, as defined below, shall commence on the date the Company receives actual notice of the commencement of pendency of the receivership, bankruptcy or other creditor's proceeding or the date of such taking, as the case may be. The Fair Market Value of the Repurchase Units shall be determined as of the last day of the month preceding the month in which the proceeding involved commenced or the taking occurred.

8.2 **Exercise of Vested Unit Repurchase Option.** The Company may exercise the Vested Unit Repurchase Option by written notice to the Participant, the Participant's legal representative, or other holder of the Repurchase Units, as the case may be, during the Repurchase Period. The *"**Repurchase Period**"* shall be the period commencing at the time set forth in Section 8.1 above and ending on the later of (a) the date ninety (90) days after the commencement of the Repurchase Period or (b) the date nine (9) months after the Units acquired pursuant to the Award have become Vested Units; provided, however, that if the redemption by the Company of the Repurchase Units during any portion of the Repurchase Period would violate the provisions of any law, regulation or agreement, the Vested Unit Repurchase Option shall remain exercisable until the later of (the *"**Extended Repurchase Period**"*) (a) thirty (30) days after the date such exercise would no longer be prevented by such provisions or (b) the end of the Repurchase Period. If the Company fails to give notice during the Repurchase Period or the Extended Repurchase Period, as applicable, the Vested Unit Repurchase Option shall terminate (unless the Company and the Participant have extended the time for the exercise of the Vested Unit Repurchase Option) unless and until there is a subsequent Repurchase Event. Notwithstanding a termination of the Vested Unit Repurchase Option, the remaining provisions of this Agreement shall remain in full force and effect, including, without limitation, the Right of First Refusal set forth in Section 7. If there is a subsequent Repurchase Event, the Vested Unit Repurchase Option

shall again become exercisable as provided in this Section 8. The Vested Unit Repurchase Option must be exercised, if at all, for all of the Repurchase Units, except as the Company and the Participant otherwise agree.

8.3 **Payment for Repurchase Units.** The repurchase price per Unit being repurchased by the Company pursuant to the Vested Unit Repurchase Option shall be an amount equal to the Fair Market Value of the Units determined as of the date of the Repurchase Event (except as otherwise provided in Section 8.1(c)) by the Board in good faith; provided, however, that if the Repurchase Event is the termination of the Participant's Service for Cause, the repurchase price per Unit shall be the lesser of such Fair Market Value or the purchase price, if any, paid by the Participant to acquire such Unit.. Payment by the Company to the Participant shall be made in cash on or before the last day of the Repurchase Period. For purposes of the foregoing, cancellation of any indebtedness of the Participant to any Participating Company shall be treated as payment to the Participant in cash to the extent of the unpaid principal and any accrued interest canceled.

8.4 **Transfers Not Subject to Vested Unit Repurchase Option.** The Vested Unit Repurchase Option shall not apply to any transfer or exchange of Vested Units if such transfer or exchange is in connection with an Ownership Change Event. If the consideration received pursuant to such transfer or exchange consists of securities of a Participating Company, such consideration will remain subject to the Vested Unit Repurchase Option unless the provisions of Section 8.6 result in a termination of the Vested Unit Repurchase Option.

8.5 **Assignment of Vested Unit Repurchase Option.** The Company shall have the right to assign the Vested Unit Repurchase Option at any time, whether or not such option is then exercisable, to one or more persons as may be selected by the Company.

8.6 **Early Termination of Vested Unit Repurchase Option.** The other provisions of this Agreement notwithstanding, the Vested Unit Repurchase Option shall terminate and be of no further force and effect upon the existence of a public market, as defined in Section 7.9, for the class of securities subject to the Vested Unit Repurchase Option.

9. **ESCROW.**

9.1 **Appointment of Agent.** To ensure that Units subject to the Company Reacquisition Right will be available for reacquisition, the Participant and the Company hereby appoint the Secretary of the Company, or any other person designated by the Company, as their agent and as attorney-in-fact for the Participant (the *"**Agent**"*) to hold any and all Unvested Units and to sell, assign and transfer to the Company any such Unvested Units reacquired by the Company pursuant to the Company Reacquisition Right. The Participant understands that appointment of the Agent is a material inducement to make this Agreement and that such appointment is coupled with an interest and is irrevocable. The Agent shall not be personally liable for any act the Agent may do or omit to do hereunder as escrow agent, agent for the Company, or attorney in fact for the Participant while acting in good faith and in the exercise of the Agent's own good judgment, and any act done or omitted by the Agent pursuant to the advice of the Agent's own attorneys shall be conclusive evidence of such good faith. The Agent may rely upon any letter, notice or other document executed by any signature purporting to be genuine and may resign at any time.

9.2 **Establishment of Escrow.** The Participant authorizes the Company to deposit the Unvested Units with the Company's transfer agent to be held in book entry form, as provided by Section 4.4, and the Participant agrees to deliver to and deposit with the Agent each certificate, if any, evidencing the Units and an Assignment Separate from Certificate with respect to such book entry Units and each such certificate duly endorsed (with date and number of Units blank) in the form attached to this Agreement, to be held by the Agent under the terms and conditions of this Section (the "***Escrow***"). Upon the occurrence of an Ownership Change Event, a dividend or distribution to the Unit holders of the Company paid in Units or other property, or any other adjustment upon a change in the capital structure of the Company, as described in Section 11, any and all new, substituted or additional securities or other property to which the Participant is entitled by reason of his or her ownership of the Units that remain, following such Ownership Change Event, dividend, distribution or change described in Section 11, subject to the Company Reacquisition Right shall be immediately subject to the Escrow to the same extent as the Units immediately before such event. The Company shall bear the expenses of the Escrow.

9.3 **Delivery of Units to Participant.** The Escrow shall continue with respect to any Units for so long as such Units remain subject to the Company Reacquisition Right. Upon termination of the Company Reacquisition Right with respect to Units, the Company shall so notify the Agent and direct the Agent to deliver such number of Units to the Participant. As soon as practicable after receipt of such notice, the Agent shall cause the Units specified by such notice to be delivered to the Participant, and the Escrow shall terminate with respect to such Units.

9.4 **Notices and Payments.** In the event the Units and any other property held in escrow are subject to the Company's exercise of the Company Reacquisition Right, the Right of First Refusal or the Vested Unit Repurchase Option, the notices required to be given to the Participant shall be given to the Agent, and any payment required to be given to the Participant shall be given to the Agent. Within thirty (30) days after payment by the Company, the Agent shall deliver the Units and any other property which the Company has purchased to the Company and shall deliver the payment received from the Company to the Participant.

10. **EFFECT OF CHANGE IN CONTROL.**

In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the "***Acquiror***"), may, without the consent of the Participant, assume or continue in full force and effect the Company's rights and obligations under the Award or substitute for the Award a substantially equivalent award for the Acquiror's securities. For purposes of this Section, the Award shall be deemed assumed if, following the Change in Control, the Award confers the right to receive, subject to the terms and conditions of the Plan and this Agreement, for each Unit subject to the Award immediately prior to the Change in Control, the consideration (whether units, stock, cash, other securities or property or a combination thereof) to which a holder of a Unit on the effective date of the Change in Control was entitled. Notwithstanding the foregoing, Units acquired pursuant to the Award prior to the Change in Control and any consideration received pursuant to the Change in Control with respect to such Units shall continue to be subject to all applicable provisions of this Agreement except as otherwise provided herein.

11. **Adjustments for Changes in Capital Structure.**

Subject to any required action by the members of the Company, in the event of any change in the Units effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, Unit dividend, split, reverse split, split-up, split-off, spin-off, combination of Units, exchange of Units, Solvent Reorganization (as defined by the Operating Agreement) or similar change in the capital structure of the Company, adjustments shall be made as the Board determines appropriate in order to prevent dilution or enlargement of the Participant's rights under the Award, including, without limitation, (i) adjusting the number and/or kind of Units subject to the Award; (ii) adjusting the Vesting Conditions; and/or (iii) providing for substitute awards, accelerating vesting, and/or effecting the lapse of restrictions; provided, however, that in the case of any "equity restructuring" (within the meaning of the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004)), the Board shall make an equitable or proportionate adjustment to the Option to reflect such equity restructuring. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." Any and all new, substituted or additional securities or other property to which Participant is entitled by reason of ownership of Units acquired pursuant to the Award will be immediately subject to the provisions of the Award on the same basis as all Units originally acquired hereunder. Any fractional Unit resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number. Such adjustments shall be determined by the Board, and its determination shall be final, binding and conclusive.

12. **Rights as a Member, Manager, Employee or Consultant.**

The Participant shall have no rights as a member with respect to any Units subject to the Award until the date of the issuance of the Units (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date the Units are issued, except as provided in Section 11. Subject to the provisions of this Agreement, the Participant shall exercise all rights and privileges of a member of the Company with respect to Units deposited in the Escrow pursuant to Section 8. If the Participant is an Employee, the Participant understands and acknowledges that, except as otherwise provided in a separate, written employment agreement between a Participating Company and the Participant, the Participant's employment is "at will" and is for no specified term. Nothing in this Agreement shall confer upon the Participant any right to continue in the Service of a Participating Company or interfere in any way with any right of the Participating Company Group to terminate the Participant's Service, as the case may be, at any time.

13. **Legends.**

If the Units are at any time evidenced by certificates, the Company may at any time place legends referencing the Company Reacquisition Right, Right of First Refusal, the Vested Unit Repurchase Option and any applicable federal, state or foreign securities law restrictions on all certificates representing Units. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing securities acquired pursuant to the Award in the possession of the Participant in order to carry out the provisions of this Section. Unless otherwise specified by the Company, legends placed on such certificates may include, but shall not be limited to, the following:

13.1 “THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED OR HYPOTHECATED UNLESS THERE IS AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT COVERING SUCH SECURITIES, THE SALE IS MADE IN ACCORDANCE WITH RULE 144 OR RULE 701 UNDER THE ACT, OR THE COMPANY RECEIVES AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY, STATING THAT SUCH SALE, TRANSFER, ASSIGNMENT OR HYPOTHECATION IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF SUCH ACT.”

13.2 “THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND REPURCHASE OPTIONS IN FAVOR OF THE CORPORATION OR ITS ASSIGNEE SET FORTH IN AN AGREEMENT BETWEEN THE CORPORATION AND THE REGISTERED HOLDER, OR SUCH HOLDER’S PREDECESSOR IN INTEREST, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THIS CORPORATION.”

14. **Lock-Up Agreement.**

The Participant hereby agrees that in the event of any underwritten public offering of securities, including an initial public offering of securities, made by the Company pursuant to an effective registration statement filed under the Securities Act, the Participant shall not offer, sell, contract to sell, pledge, hypothecate, grant any option to purchase or make any short sale of, or otherwise dispose of any securities of the Company or any rights to acquire securities of the Company for such period of time from and after the effective date of such registration statement as may be established by the underwriter for such public offering; provided, however, that such period of time shall not exceed one hundred eighty (180) days from the effective date of the registration statement to be filed in connection with such public offering; provided, further, however, that such one hundred eighty (180) day period may be extended for an additional period, not to exceed twenty (20) days, upon the request of the Company or the underwriter to accommodate regulatory restrictions on (i) the publication or other distribution of research reports and (ii) analyst recommendations and opinions, including but not limited to, the restrictions contained in NASD Rule 2711(f)(4) or NYSE Rule 472(f)(4), or any successor provisions or amendments thereto). The foregoing limitation shall not apply to securities registered in the public offering under the Securities Act. The Participant hereby agrees to enter into any agreement reasonably required by the underwriters to implement the foregoing within a reasonable timeframe if so requested by the Company.

15. **Transfers in Violation of Agreement.**

No Units may be sold, exchanged, transferred, assigned, pledged, hypothecated or otherwise disposed of, including by operation of law, in any manner which violates any of the provisions of this Agreement or the Operating Agreement and, except pursuant to an Ownership Change Event, until the date on which such Units become Vested Units, and any such attempted disposition shall be void. The Company shall not be required (a) to transfer on its books any Units which will have been transferred in violation of any of the provisions set forth in this Agreement or the Operating Agreement or (b) to treat as owner of such Units or to accord the right to vote as such owner or to pay dividends to any transferee to whom such Units will have been so transferred. In order to enforce its rights

under this Section, the Company shall be authorized to give a stop transfer instruction with respect to the Units to the Company's transfer agent.

16. **MISCELLANEOUS PROVISIONS.**

16.1 **Termination or Amendment.** The Board may terminate or amend the Plan or this Agreement at any time; provided, however, that no such termination or amendment may have a materially adverse effect on the Participant's rights under this Agreement without the consent of the Participant, unless such termination or amendment is necessary to comply with any applicable law or government regulation. No amendment or addition to this Agreement shall be effective unless in writing.

16.2 **Nontransferability of the Award.** The right to acquire Units pursuant to the Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to the Award shall be exercisable during the Participant's lifetime only by the Participant or the Participant's guardian or legal representative.

16.3 **Further Instruments.** The parties hereto agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement.

16.4 **Binding Effect.** This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon the Participant and the Participant's heirs, executors, administrators, successors and assigns.

16.5 **Delivery of Documents and Notices.** Any document relating to participation in the Plan, or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Participant by a Participating Company, or upon deposit in the U.S. Post Office or foreign postal service, by registered or certified mail, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed to the other party at the address of such party set forth in the Grant Notice or at such other address as such party may designate in writing from time to time to the other party.

(a) ***Description of Electronic Delivery.*** The Plan documents, which may include but do not necessarily include: the Plan, the Grant Notice, this Agreement, the Operating Agreement and any reports of the Company provided generally to the Company's Unit holders, may be delivered to the Participant electronically. In addition, if permitted by the Company, the Participant may deliver electronically the Grant Notice to the Company or to such third party involved in administering the Plan as the Company may designate from time to time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the Internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.

(b) ***Consent to Electronic Delivery.*** The Participant acknowledges that the Participant has read Section 16.5(a) of this Agreement and consents to the electronic delivery of the Plan documents and, if permitted by the Company, the delivery of the Grant Notice and notices in connection with the Escrow, as described in Section 16.5(a). The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Section 16.5(a) or may change the electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 16.5(a).

16.6 **Integrated Agreement.** The Grant Notice, this Agreement and the Plan, together with the Operating Agreement and any employment, service or other agreement between the Participant and a Participating Company referring to the Award, shall constitute the entire understanding and agreement of the Participant and the Participating Company Group with respect to the subject matter contained herein or therein and supersede any prior agreements, understandings, restrictions, representations, or warranties among the Participant and the Participating Company Group with respect to such subject matter. To the extent contemplated herein or therein, the provisions of the Grant Notice, this Agreement, the Plan and the Operating Agreement shall survive any settlement of the Award and shall remain in full force and effect.

16.7 **Applicable Law.** The Agreement shall be governed by the laws of the State of California as such laws are applied to agreements between California residents entered into and to be performed entirely within the State of California.

16.8 **Counterparts.** The Grant Notice may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED the undersigned does hereby sell, assign and transfer unto _____

_____ (_____) Units of MagnaChip Semiconductor LLC standing in the undersigned's name on the books of said corporation and does hereby irrevocably constitute and appoint _____ Attorney to transfer the said Units on the books of said corporation with full power of substitution in the premises.

Dated: _____

_____
Signature

_____
Print Name

Instructions: Please do not fill in any blanks other than the signature line. The purpose of this assignment is to enable the Company to exercise its Company Reacquisition Right set forth in the Restricted Unit Agreement without requiring additional signatures on the part of the Participant.

SAMPLE

Internal Revenue Service

[IRS Service Center
where Form 1040 is Filed]

Re: Section 83(b) Election

Dear Sir or Madam:

The following information is submitted pursuant to section 1.83-2 of the Treasury Regulations in connection with this election by the undersigned under section 83(b) of the Internal Revenue Code of 1986, as amended (the "Code").

1. The name, address and taxpayer identification number of the taxpayer are:

   Name: _____

   Address: _____

   _____

   Social Security Number: _____

2. The following is a description of each item of property with respect to which the election is made:

   _____ Common Units of MagnaChip Semiconductor LLC (the "Units"), acquired from MagnaChip Semiconductor LLC (the "Company") pursuant to a Restricted Unit grant.

3. The property was transferred to the undersigned on:

   Restricted Unit grant date: _____

   The taxable year for which the election is made is:

   Calendar Year _____

4. The nature of the restriction to which the property is subject:

   The Units are subject to automatic forfeiture to the Company upon the occurrence of certain events. This forfeiture provision lapses with regard to a portion of the Units based upon the continued performance of services by the taxpayer over time.

5. The following is the fair market value at the time of transfer (determined without regard to any restriction other than a restriction which by its terms will never lapse) of the property with respect to which the election is made:

$_____ (_____ Units at $_____ per Unit).

The property was transferred to the taxpayer pursuant to the grant of an award of Restricted Units.

6. The following is the amount paid for the property:

No monetary consideration was provided in exchange for the Units.

7. A copy of this election has been furnished to the Company, the corporation for which the services were performed by the undersigned.

Please acknowledge receipt of this election by date or received-stamping the enclosed copy of this letter and returning it to the undersigned. A self-addressed stamped envelope is provided for your convenience.

Very truly yours,

_____ Date: _____

Enclosures
cc: MagnaChip Semiconductor LLC

MAGNACHIP SEMICONDUCTOR CORPORATION

2010 EQUITY INCENTIVE PLAN

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

TABLE OF CONTENTS
(continued)

MagnaChip Semiconductor Corporation
2010 Equity Incentive Plan

1. **ESTABLISHMENT, PURPOSE AND TERM OF PLAN.**

1.1 **Establishment.** The MagnaChip Semiconductor Corporation 2010 Equity Incentive Plan (the "***Plan***") is hereby established effective as of [•], 2010, the effective date of the Conversion (the "***Effective Date***").

1.2 **Purpose.** The purpose of the Plan is to advance the interests of the Participating Company Group and its stockholders by providing an incentive to attract, retain and reward persons performing services for the Participating Company Group and by motivating such persons to contribute to the growth and profitability of the Participating Company Group. The Plan seeks to achieve this purpose by providing for Awards in the form of Options, Stock Appreciation Rights, Restricted Stock Purchase Rights, Restricted Stock Bonuses, Restricted Stock Units, Performance Shares, Performance Units, Cash-Based Awards and Other Stock-Based Awards.

1.3 **Term of Plan.** The Plan shall continue in effect until its termination by the Committee; provided, however, that all Awards shall be granted, if at all, within ten (10) years from the Effective Date.

2. **DEFINITIONS AND CONSTRUCTION.**

2.1 **Definitions.** Whenever used herein, the following terms shall have their respective meanings set forth below:

(a) "***Affiliate***" means (i) a parent entity, other than a Parent Corporation, that directly, or indirectly through one or more intermediary entities, controls the Company or (ii) a subsidiary entity, other than a Subsidiary Corporation, that is controlled by the Company directly or indirectly through one or more intermediary entities. For this purpose, the terms "parent," "subsidiary," "control" and "controlled by" shall have the meanings assigned such terms for the purposes of registration of securities on Form S-8 under the Securities Act.

(b) "***Award***" means any Option, Stock Appreciation Right, Restricted Stock Purchase Right, Restricted Stock Bonus, Restricted Stock Unit, Performance Share, Performance Unit, Cash-Based Award or Other Stock-Based Award granted under the Plan.

(c) "***Award Agreement***" means a written or electronic agreement between the Company and a Participant setting forth the terms, conditions and restrictions applicable to an Award.

(d) "***Board***" means the Board of Directors of the Company.

(e) "***Cash-Based Award***" means an Award denominated in cash and granted pursuant to Section 11.

(f) "***Cashless Exercise***" means a Cashless Exercise as defined in Section 6.3(b)(i).

(g) "***Cause***" means, unless such term or an equivalent term is otherwise defined by the applicable Award Agreement or other written agreement between a Participant and a Participating Company applicable to an Award, any of the following: (i) the Participant's failure to substantially perform the Participant's customary duties with a Participating Company in the ordinary course (other than such failure resulting from the Participant's incapacity due to physical or mental illness) that, if susceptible to cure, has not been cured as determined by the Participating Company within 30 days after a written demand for substantial performance is delivered to the Participant by the Participating Company, which demand specifically identifies the manner in which the Participating Company believes that the Participant has not substantially performed the Participant's duties; (ii) the Participant's gross negligence, intentional misconduct or fraud in the performance of his or her Service; (iii) the Participant's indictment (or equivalent) for a felony or to a crime involving fraud or dishonesty; (iv) a judicial determination that the Participant committed fraud or dishonesty against any natural person, firm, partnership, limited liability company, association, corporation, company, trust, business trust, governmental authority or other entity; (v) the Participant's material violation of one or more of the Participating Company Group's policies applicable to the Participant's Service as may be in effect from time to time; or (vi) the Participant's conduct that brings or could reasonably be expected to bring the Participating Company Group into public disgrace or disrepute and that has a material adverse effect on the business of the Participating Company Group.

(h) "***Change in Control***" means, unless such term or an equivalent term is otherwise defined by the applicable Award Agreement, the occurrence of any one or a combination of the following:

(i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as such term is defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the total Fair Market Value or total combined voting power of the Company's then-outstanding securities entitled to vote generally in the election of Directors; provided, however, that a Change in Control shall not be deemed to have occurred if such degree of beneficial ownership results from any of the following: (A) an acquisition by any person who on the Effective Date is the beneficial owner of more than fifty percent (50%) of such voting power, (B) any acquisition directly from the Company, including, without limitation, pursuant to or in connection with a public offering of securities, (C) any acquisition by the Company, (D) any acquisition by a trustee or other fiduciary under an employee benefit plan of a Participating Company or (E) any acquisition by an entity owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the voting securities of the Company; or

(ii) an Ownership Change Event or series of related Ownership Change Events (collectively, a "***Transaction***") in which the stockholders of the Company immediately before the Transaction do not retain immediately after the Transaction direct or indirect beneficial ownership of more than fifty percent (50%) of the total combined voting

power of the outstanding securities entitled to vote generally in the election of Directors or, in the case of an Ownership Change Event described in Section 2.1(ee)(iii), the entity to which the assets of the Company were transferred (the *"**Transferee**"*), as the case may be; or

(iii) approval by the stockholders of a plan of complete liquidation or dissolution of the Company;

provided, however, that a Change in Control shall be deemed not to include a transaction described in subsections (i) or (ii) of this Section 2.1(h) in which a majority of the members of the board of directors of the continuing, surviving or successor entity, or parent thereof, immediately after such transaction is comprised of Incumbent Directors.

For purposes of the preceding sentence, indirect beneficial ownership shall include, without limitation, an interest resulting from ownership of the voting securities of one or more corporations or other business entities which own the Company or the Transferee, as the case may be, either directly or through one or more subsidiary corporations or other business entities. The Committee shall determine whether multiple acquisitions of the voting securities of the Company and/or multiple Ownership Change Events are related and to be treated in the aggregate as a single Change in Control, and its determination shall be final, binding and conclusive.

(i) *"**Code**"* means the Internal Revenue Code of 1986, as amended, and any applicable regulations or administrative guidelines promulgated thereunder.

(j) *"**Committee**"* means the Compensation Committee and such other committee or subcommittee of the Board, if any, duly appointed to administer the Plan and having such powers in each instance as shall be specified by the Board. If, at any time, there is no committee of the Board then authorized or properly constituted to administer the Plan, the Board shall exercise all of the powers of the Committee granted herein, and, in any event, the Board may in its discretion exercise any or all of such powers.

(k) *"**Company**"* means MagnaChip Semiconductor Corporation, a Delaware corporation, or any successor corporation thereto.

(l) *"**Consultant**"* means a person engaged to provide consulting or advisory services (other than as an Employee or a member of the Board) to a Participating Company, provided that the identity of such person, the nature of such services or the entity to which such services are provided would not preclude the Company from offering or selling securities to such person pursuant to the Plan in reliance on registration on Form S-8 under the Securities Act.

(m) *"**Conversion**"* means the conversion of MagnaChip Semiconductor LLC, a Delaware limited liability company, into the Company pursuant to Section 18-216 of the Delaware Limited Liability Company Act.

(n) "*Covered Employee*" means, at any time the Plan is subject to Section 162(m), any Employee who is or may reasonably be expected to become a "covered employee" as defined in Section 162(m), or any successor statute, and who is designated, either

as an individual Employee or a member of a class of Employees, by the Committee no later than the earlier of (i) the date that is ninety (90) days after the beginning of the Performance Period, or (ii) the date on which twenty-five percent (25%) of the Performance Period has elapsed, as a "Covered Employee" under this Plan for such applicable Performance Period.

(o) "***Director***" means a member of the Board.

(p) "***Disability***" means the permanent and total disability of the Participant, within the meaning of Section 22(e)(3) of the Code.

(q) "***Dividend Equivalent Right***" means the right of a Participant, granted at the discretion of the Committee or as otherwise provided by the Plan, to receive a credit for the account of such Participant in an amount equal to the cash dividends paid on one share of Stock for each share of Stock represented by an Award held by such Participant.

(r) "***Employee***" means any person treated as an employee (including an Officer or a member of the Board who is also treated as an employee) in the records of a Participating Company and, with respect to any Incentive Stock Option granted to such person, who is an employee for purposes of Section 422 of the Code; provided, however, that neither service as a member of the Board nor payment of a director's fee shall be sufficient to constitute employment for purposes of the Plan. The Company shall determine in good faith and in the exercise of its discretion whether an individual has become or has ceased to be an Employee and the effective date of such individual's employment or termination of employment, as the case may be. For purposes of an individual's rights, if any, under the terms of the Plan as of the time of the Company's determination of whether or not the individual is an Employee, all such determinations by the Company shall be final, binding and conclusive as to such rights, if any, notwithstanding that the Company or any court of law or governmental agency subsequently makes a contrary determination as to such individual's status as an Employee.

(s) "***Exchange Act***" means the Securities Exchange Act of 1934, as amended.

(t) "***Fair Market Value***" means, as of any date, the value of a share of Stock or other property as determined by the Committee, in its discretion, or by the Company, in its discretion, if such determination is expressly allocated to the Company herein, subject to the following:

(i) Except as otherwise determined by the Committee, if, on such date, the Stock is listed or quoted on a national or regional securities exchange or quotation system, the Fair Market Value of a share of Stock shall be the closing price of a share of Stock as quoted on the national or regional securities exchange or quotation system constituting the primary market for the Stock, as reported in *The Wall Street Journal* or such other source as the Company deems reliable. If the relevant date does not fall on a day on which the Stock has traded on such securities exchange or quotation system, the date on which the Fair Market Value shall be established shall be the last day on which the Stock was so traded or quoted prior to the relevant date, or such other appropriate day as shall be determined by the Committee, in its discretion.

(ii) Notwithstanding the foregoing, the Committee may, in its discretion, determine the Fair Market Value of a share of Stock on the basis of the opening, closing, or average of the high and low sale prices of a share of Stock on such date or the preceding trading day, the actual sale price of a share of Stock received by a Participant, any other reasonable basis using actual transactions in the Stock as reported on a national or regional securities exchange or quotation system, or on any other basis consistent with the requirements of Section 409A. The Committee may also determine the Fair Market Value upon the average selling price of the Stock during a specified period that is within thirty (30) days before or thirty (30) days after such date, provided that, with respect to the grant of an Option or SAR, the commitment to grant such Award based on such valuation method must be irrevocable before the beginning of the specified period. The Committee may vary its method of determination of the Fair Market Value as provided in this Section for different purposes under the Plan to the extent consistent with the requirements of Section 409A.

(iii) If, on such date, the Stock is not listed or quoted on a national or regional securities exchange or quotation system, the Fair Market Value of a share of Stock shall be as determined by the Committee in good faith without regard to any restriction other than a restriction which, by its terms, will never lapse, and in a manner consistent with the requirements of Section 409A.

(u) "***Incentive Stock Option***" means an Option intended to be (as set forth in the Award Agreement) and which qualifies as an incentive stock option within the meaning of Section 422(b) of the Code.

(v) "***Incumbent Director***" means a director who either (i) is a member of the Board as of the Effective Date or (ii) is elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination (but excluding a director who was elected or nominated in connection with an actual or threatened proxy contest relating to the election of directors of the Company).

(w) "***Insider***" means an Officer, Director or any other person whose transactions in Stock are subject to Section 16 of the Exchange Act.

(x) "***Net Exercise***" means a Net Exercise as defined in Section 6.3(b)(iii).

(y) "***Nonemployee Director***" means a Director who is not an Employee.

(z) "***Nonemployee Director Award***" means any Award granted to a Nonemployee Director.

(aa) "***Nonstatutory Stock Option***" means an Option not intended to be (as set forth in the Award Agreement) or which does not qualify as an incentive stock option within the meaning of Section 422(b) of the Code.

(bb) "***Officer***" means any person designated by the Board as an officer of the Company.

(cc) "***Option***" means an Incentive Stock Option or a Nonstatutory Stock Option granted pursuant to the Plan.

(dd) "***Other Stock-Based Award***" means an Award denominated in shares of Stock and granted pursuant to Section 11.

(ee) "***Ownership Change Event***" means the occurrence of any of the following with respect to the Company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the stockholders of the Company of securities of the Company representing more than fifty percent (50%) of the total combined voting power of the Company's then outstanding securities entitled to vote generally in the election of Directors; (ii) a merger or consolidation in which the Company is a party; or (iii) the sale, exchange, or transfer of all or substantially all of the assets of the Company (other than a sale, exchange or transfer to one or more subsidiaries of the Company).

(ff) "***Parent Corporation***" means any present or future "parent corporation" of the Company, as defined in Section 424(e) of the Code.

(gg) "***Participant***" means any eligible person who has been granted one or more Awards.

(hh) "***Participating Company***" means the Company or any Parent Corporation, Subsidiary Corporation or Affiliate.

(ii) "***Participating Company Group***" means, at any point in time, the Company and all other entities collectively which are then Participating Companies.

(jj) "***Performance Award***" means an Award of Performance Shares or Performance Units.

(kk) "***Performance Award Formula***" means, for any Performance Award, a formula or table established by the Committee pursuant to Section 10.3 which provides the basis for computing the value of a Performance Award at one or more levels of attainment of the applicable Performance Goal(s) measured as of the end of the applicable Performance Period.

(ll) "***Performance-Based Compensation***" means compensation under an Award that satisfies the requirements of Section 162(m) for certain performance-based compensation paid to Covered Employees.

(mm) "***Performance Goal***" means a performance goal established by the Committee pursuant to Section 10.3.

(nn) "***Performance Period***" means a period established by the Committee pursuant to Section 10.3 at the end of which one or more Performance Goals are to be measured.

(oo) "***Performance Share***" means a right granted to a Participant pursuant to Section 10 to receive a payment equal to the value of a Performance Share, as determined by the Committee, based upon attainment of applicable Performance Goal(s).

(pp) "***Performance Unit***" means a right granted to a Participant pursuant to Section 10 to receive a payment equal to the value of a Performance Unit, as determined by the Committee, based upon attainment of applicable Performance Goal(s).

(qq) "***Predecessor Plan***" means the MagnaChip Semiconductor LLC 2009 Common Unit Plan, as amended.

(rr) "***Restricted Stock Award***" means an Award of a Restricted Stock Bonus or a Restricted Stock Purchase Right.

(ss) "***Restricted Stock Bonus***" means Stock granted to a Participant pursuant to Section 8.

(tt) "***Restricted Stock Purchase Right***" means a right to purchase Stock granted to a Participant pursuant to Section 8.

(uu) "***Restricted Stock Unit***" means a right granted to a Participant pursuant to Section 9 to receive on a future date or event a share of Stock or cash in lieu thereof, as determined by the Committee.

(vv) "***Rule 16b-3***" means Rule 16b-3 under the Exchange Act, as amended from time to time, or any successor rule or regulation.

(ww) "***SAR***" or "***Stock Appreciation Right***" means a right granted to a Participant pursuant to Section 7 to receive payment, for each share of Stock subject to such Award, of an amount equal to the excess, if any, of the Fair Market Value of a share of Stock on the date of exercise of the Award over the exercise price thereof.

(xx) "***Section 162(m)***" means Section 162(m) of the Code.

(yy) "***Section 409A***" means Section 409A of the Code.

(zz) "***Section 409A Deferred Compensation***" means compensation provided pursuant to an Award that constitutes nonqualified deferred compensation within the meaning of Section 409A.

(aaa) "***Securities Act***" means the Securities Act of 1933, as amended.

(bbb) "***Service***" means a Participant's employment or service with the Participating Company Group, whether as an Employee, a Director or a Consultant. Unless otherwise provided by the Committee, a Participant's Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders such Service or a change in the Participating Company for which the Participant renders such Service, provided that there is no interruption or termination of the Participant's Service. Furthermore, a

Participant's Service shall not be deemed to have been interrupted or terminated if the Participant takes any military leave, sick leave, or other bona fide leave of absence approved by the Company. However, unless otherwise provided by the Committee, if any such leave taken by a Participant exceeds ninety (90) days, then on the ninety-first (91st) day following the commencement of such leave the Participant's Service shall be deemed to have terminated, unless the Participant's right to return to Service is guaranteed by statute or contract. Notwithstanding the foregoing, unless otherwise designated by the Company or required by law, an unpaid leave of absence shall not be treated as Service for purposes of determining vesting under the Participant's Award Agreement. A Participant's Service shall be deemed to have terminated either upon an actual termination of Service or upon the business entity for which the Participant performs Service ceasing to be a Participating Company. Subject to the foregoing, the Company, in its discretion, shall determine whether the Participant's Service has terminated and the effective date of such termination.

(ccc) "***Stock***" means the common stock of the Company, as adjusted from time to time in accordance with Section 4.5.

(ddd) "***Stock Tender Exercise***" means a Stock Tender Exercise as defined in Section 6.3(b)(ii).

(eee) "***Subsidiary Corporation***" means any present or future "subsidiary corporation" of the Company, as defined in Section 424(f) of the Code.

(fff) "***Ten Percent Owner***" means a Participant who, at the time an Option is granted to the Participant, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of a Participating Company (other than an Affiliate) within the meaning of Section 422(b)(6) of the Code.

(ggg) "***Trading Compliance Policy***" means the written policy of the Company pertaining to the purchase, sale, transfer or other disposition of the Company's equity securities by Directors, Officers, Employees or other service providers who may possess material, nonpublic information regarding the Company or its securities.

(hhh) "***Vesting Conditions***" mean those conditions established in accordance with the Plan prior to the satisfaction of which an Award or shares subject to an Award remain subject to forfeiture or a repurchase option in favor of the Company exercisable for the Participant's monetary purchase price, if any, for such shares upon the Participant's termination of Service.

2.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

3. **ADMINISTRATION.**

3.1 **Administration by the Committee.** The Plan shall be administered by the Committee. All questions of interpretation of the Plan, of any Award Agreement or of any other form of agreement or other document employed by the Company in the administration of the Plan or of any Award shall be determined by the Committee, and such determinations shall be final, binding and conclusive upon all persons having an interest in the Plan or such Award, unless fraudulent or made in bad faith. Any and all actions, decisions and determinations taken or made by the Committee in the exercise of its discretion pursuant to the Plan or Award Agreement or other agreement thereunder (other than determining questions of interpretation pursuant to the preceding sentence) shall be final, binding and conclusive upon all persons having an interest therein. All expenses reasonably incurred by the Company in the administration of the Plan shall be paid by the Company.

3.2 **Authority of Officers.** Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election that is the responsibility of or that is allocated to the Company herein, provided that the Officer has actual authority with respect to such matter, right, obligation, determination or election. The Board or Committee may, in its discretion, delegate to a committee comprised of one or more Officers the authority to grant one or more Awards, without further approval of the Board or the Committee, to any Employee, other than a person who, at the time of such grant, is an Insider or a Covered Person; provided, however, that (a) the exercise price per share of each such Award which is an Option or SAR shall be not less than the Fair Market Value per share of the Stock on the effective date of grant (or, if the Stock has not traded on such date, on the last day preceding the effective date of grant on which the Stock was traded), (b) each such Award shall be subject to the terms and conditions of the appropriate standard form of Award Agreement approved by the Board or the Committee and shall conform to the provisions of the Plan, and (c) each such Award shall conform to guidelines as shall be established from time to time by resolution of the Board or the Committee.

3.3 **Administration with Respect to Insiders.** With respect to participation by Insiders in the Plan, at any time that any class of equity security of the Company is registered pursuant to Section 12 of the Exchange Act, the Plan shall be administered in compliance with the requirements, if any, of Rule 16b-3.

3.4 **Committee Complying with Section 162(m).** If the Company is a "publicly held corporation" within the meaning of Section 162(m), the Board may establish a Committee of "outside directors" within the meaning of Section 162(m) to approve the grant of any Award intended to result in the payment of Performance-Based Compensation.

3.5 **Powers of the Committee.** In addition to any other powers set forth in the Plan and subject to the provisions of the Plan, the Committee shall have the full and final power and authority, in its discretion:

(a) to determine the persons to whom, and the time or times at which, Awards shall be granted and the number of shares of Stock, units or monetary value to be subject to each Award;

(b) to determine the type of Award granted;

(c) to determine the Fair Market Value of shares of Stock or other property;

(d) to determine the terms, conditions and restrictions applicable to each Award (which need not be identical) and any shares acquired pursuant thereto, including, without limitation, (i) the exercise or purchase price of shares pursuant to any Award, (ii) the method of payment for shares purchased pursuant to any Award, (iii) the method for satisfaction of any tax withholding obligation arising in connection with any Award, including by the withholding or delivery of shares, (iv) the timing, terms and conditions of the exercisability or vesting of any Award or any shares acquired pursuant thereto, (v) the Performance Measures, Performance Period, Performance Award Formula and Performance Goals applicable to any Award and the extent to which such Performance Goals have been attained, (vi) the time of the expiration of any Award, (vii) the effect of the Participant's termination of Service on any of the foregoing, and (viii) all other terms, conditions and restrictions applicable to any Award or shares acquired pursuant thereto not inconsistent with the terms of the Plan;

(e) to determine whether an Award will be settled in shares of Stock, cash, other property or in any combination thereof;

(f) to approve one or more forms of Award Agreement;

(g) to amend, modify, extend, cancel or renew any Award or to waive any restrictions or conditions applicable to any Award or any shares acquired pursuant thereto;

(h) to accelerate, continue, extend or defer the exercisability or vesting of any Award or any shares acquired pursuant thereto, including with respect to the period following a Participant's termination of Service;

(i) to prescribe, amend or rescind rules, guidelines and policies relating to the Plan, or to adopt sub-plans or supplements to, or alternative versions of, the Plan, including, without limitation, as the Committee deems necessary or desirable to comply with the laws or regulations of or to accommodate the tax policy, accounting principles or custom of, foreign jurisdictions whose citizens may be granted Awards; and

(j) to correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award Agreement and to make all other determinations and take such other actions with respect to the Plan or any Award as the Committee may deem advisable to the extent not inconsistent with the provisions of the Plan or applicable law.

3.6 **Option or SAR Repricing.** Without the affirmative vote of holders of a majority of the shares of Stock cast in person or by proxy at a meeting of the stockholders of the Company at which a quorum representing a majority of all outstanding shares of Stock is present or represented by proxy, the Committee shall not approve a program providing for either (a) the cancellation of outstanding Options or SARs having exercise prices per share greater than the then Fair Market Value of a share of Stock ("***Underwater Awards***") and the grant in substitution therefore of new Options or SARs having a lower exercise price or payments in cash, or (b) the

amendment of outstanding Underwater Awards to reduce the exercise price thereof. This Section shall not apply to adjustments pursuant to the assumption of or substitution for an Option or SAR in a manner that would comply with Section 424(a) or Section 409A of the Code or to an adjustment pursuant to Section 4.5.

3.7 **Indemnification.** In addition to such other rights of indemnification as they may have as members of the Board or the Committee or as officers or employees of the Participating Company Group, to the extent permitted by applicable law, members of the Board or the Committee and any officers or employees of the Participating Company Group to whom authority to act for the Board, the Committee or the Company is delegated shall be indemnified by the Company against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any right granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct in duties; provided, however, that within sixty (60) days after the institution of such action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at its own expense to handle and defend the same.

4. **SHARES SUBJECT TO PLAN.**

4.1 **Maximum Number of Shares Issuable.** Subject to adjustment as provided in Sections 4.2, 4.3, 4.4 and 4.5, the maximum aggregate number of shares of Stock that may be issued under the Plan shall be equal to [•] ([•])[1] and shall consist of authorized but unissued or reacquired shares of Stock or any combination thereof.

4.2 **Annual Increase in Maximum Number of Shares Issuable**. Subject to adjustment as provided in Section 4.5, the maximum aggregate number of shares of Stock that may be issued under the Plan as set forth in Section 4.1 shall be cumulatively increased automatically on January 1, 2011 and on each subsequent January 1 through and including January 1, 2020, by a number of shares (the "***Annual Increase***") equal to the smaller of (a) two percent (2%) of the number of shares of Stock issued and outstanding on the immediately preceding December 31, or (b) an amount determined by the Board.

4.3 **Adjustment for Unissued or Forfeited Predecessor Plan Shares.** The maximum aggregate number of shares of Stock that may be issued under the Plan as set forth in Section 4.1 shall be cumulatively increased from time to time by:

(a) the number of shares of Stock subject to that portion of any option or other award outstanding pusuant to the Predecessor Plan as of the Effective Date which, on or

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1 Amount to equal number of shares of common stock (as adjusted by the conversion ratio in the Conversion) remaining available for grant under 2009 Common Unit Plan upon its termination immediately following the Conversion. Number to be determined and inserted prior to approval of plan by Company stockholders.

after the Effective Date, expires or is terminated or canceled for any reason without having been exercised or settled in full; and

(b) the number of shares of Stock acquired pursuant to the Predecessor Plan subject to forfeiture or repurchase by the Company at the Participant's purchase price which, on or after the Effective Date, is so forfeited or repurchased;

provided further, however, that the aggregate number of shares of Stock authorized for issuance under the Predecessor Plan that may become authorized for issuance under the Plan pursuant to this Section 4.3 shall not exceed [•] ([•][2]).

4.4 **Share Counting.** If an outstanding Award for any reason expires or is terminated or canceled without having been exercised or settled in full, or if shares of Stock acquired pursuant to an Award subject to forfeiture or repurchase are forfeited or repurchased by the Company for an amount not greater than the Participant's purchase price, the shares of Stock allocable to the terminated portion of such Award or such forfeited or repurchased shares of Stock shall again be available for issuance under the Plan. Shares of Stock shall not be deemed to have been issued pursuant to the Plan with respect to any portion of an Award that is settled in cash. Shares withheld or reacquired by the Company in satisfaction of tax withholding obligations pursuant to Section 16.2 shall not again be available for issuance under the Plan. Upon payment in shares of Stock pursuant to the exercise of an SAR, the number of shares available for issuance under the Plan shall be reduced by the gross number of shares for which such SAR was exercised. If the exercise price of an Option is paid by tender to the Company, or attestation to the ownership, of shares of Stock owned by the Participant, or by means of a Net Exercise, the number of shares available for issuance under the Plan shall be reduced by the gross number of shares for which the Option is exercised.

4.5 **Adjustments for Changes in Capital Structure.** Subject to any required action by the stockholders of the Company and the requirements of Sections 409A and 424 of the Code to the extent applicable, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Stock (excepting regular, periodic cash dividends) that has a material effect on the Fair Market Value of shares of Stock, appropriate and proportionate adjustments shall be made in the number and kind of shares subject to the Plan and to any outstanding Awards, the number of shares resulting from any prior Annual Increase, the Award limits set forth in Section 5.3, and in the exercise or purchase price per share under any outstanding Award in order to prevent dilution or enlargement of Participants' rights under the Plan. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." If a majority of the shares which are of the same class as the shares that are subject to outstanding Awards are

2 Amount to equal number of unvested shares (as adjusted by the conversion ratio in the Conversion) subject to options and restricted stock awards outstanding under the 2009 Common Unit Plan at the time of its termination immediately following the Conversion. Number to be determined and inserted prior to approval of plan by Company stockholders.

exchanged for, converted into, or otherwise become (whether or not pursuant to an Ownership Change Event) shares of another corporation (the *"**New Shares**"*), the Committee may unilaterally amend the outstanding Awards to provide that such Awards are for New Shares. In the event of any such amendment, the number of shares subject to, and the exercise or purchase price per share of, the outstanding Awards shall be adjusted in a fair and equitable manner as determined by the Committee, in its discretion. Any fractional share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number, and in no event may the exercise or purchase price under any Award be decreased to an amount less than the par value, if any, of the stock subject to such Award. The Committee in its discretion, may also make such adjustments in the terms of any Award to reflect, or related to, such changes in the capital structure of the Company or distributions as it deems appropriate, including modification of Performance Goals, Performance Award Formulas and Performance Periods. The adjustments determined by the Committee pursuant to this Section shall be final, binding and conclusive.

4.6 **Assumption or Substitution of Awards.** The Committee may, without affecting the number of shares of Stock reserved or available hereunder, authorize the issuance or assumption of benefits under this Plan in connection with any merger, consolidation, acquisition of property or stock, or reorganization upon such terms and conditions as it may deem appropriate, subject to compliance with Section 409A and any other applicable provisions of the Code.

5. **ELIGIBILITY, PARTICIPATION AND AWARD LIMITATIONS.**

5.1 **Persons Eligible for Awards.** Awards may be granted only to Employees, Consultants and Directors.

5.2 **Participation in the Plan.** Awards are granted solely at the discretion of the Committee. Eligible persons may be granted more than one Award. However, eligibility in accordance with this Section shall not entitle any person to be granted an Award, or, having been granted an Award, to be granted an additional Award.

5.3 **Incentive Stock Option Limitations.**

(a) ***Maximum Number of Shares Issuable Pursuant to Incentive Stock Options.*** Subject to adjustment as provided in Section 4.5, the maximum aggregate number of shares of Stock that may be issued under the Plan pursuant to the exercise of Incentive Stock Options shall not exceed [•][3] shares, cumulatively increased on January 1, 2011 and on each subsequent January 1, through and including January 1, 2020, by a number of shares equal to the smaller of the Annual Increase determined under Section 4.2 or [•][4] shares. The maximum aggregate number of shares of Stock that may be issued under the Plan pursuant to all

3 Amount to equal the number in Sec. 4.1, as determined under footnote 1. Number to be determined and inserted prior to approval of plan by Company stockholders.

4 Amount to equal 4% of the number of shares of common stock estimated to be outstanding immediately after completion of the IPO. Number to be determined and inserted prior to approval of plan by Company stockholders. This number (required by Sec. 422 regs) is intentionally set at twice the 2% annual evergreen increase so that the 2% evergreen will continue to apply regardless of future dilution.

Awards other than Incentive Stock Options shall be the number of shares determined in accordance with Section 4.1, subject to adjustment as provided in Sections 4.2, 4.3, 4.4 and 4.5.

(b) ***Persons Eligible.*** An Incentive Stock Option may be granted only to a person who, on the effective date of grant, is an Employee of the Company, a Parent Corporation or a Subsidiary Corporation (each being an "***ISO-Qualifying Corporation***"). Any person who is not an Employee of an ISO-Qualifying Corporation on the effective date of the grant of an Option to such person may be granted only a Nonstatutory Stock Option.

(c) ***Fair Market Value Limitation.*** To the extent that options designated as Incentive Stock Options (granted under all stock option plans of the Participating Company Group, including the Plan) become exercisable by a Participant for the first time during any calendar year for stock having a Fair Market Value greater than One Hundred Thousand Dollars ($100,000), the portion of such options which exceeds such amount shall be treated as Nonstatutory Stock Options. For purposes of this Section, options designated as Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of stock shall be determined as of the time the option with respect to such stock is granted. If the Code is amended to provide for a limitation different from that set forth in this Section, such different limitation shall be deemed incorporated herein effective as of the date and with respect to such Options as required or permitted by such amendment to the Code. If an Option is treated as an Incentive Stock Option in part and as a Nonstatutory Stock Option in part by reason of the limitation set forth in this Section, the Participant may designate which portion of such Option the Participant is exercising. In the absence of such designation, the Participant shall be deemed to have exercised the Incentive Stock Option portion of the Option first. Upon exercise, shares issued pursuant to each such portion shall be separately identified.

6. **STOCK OPTIONS.**

Options shall be evidenced by Award Agreements specifying the number of shares of Stock covered thereby, in such form as the Committee shall from time to time establish. Award Agreements evidencing Options may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

6.1 **Exercise Price.** The exercise price for each Option shall be established in the discretion of the Committee; provided, however, that (a) the exercise price per share shall be not less than the Fair Market Value of a share of Stock on the effective date of grant of the Option and (b) no Incentive Stock Option granted to a Ten Percent Owner shall have an exercise price per share less than one hundred ten percent (110%) of the Fair Market Value of a share of Stock on the effective date of grant of the Option. Notwithstanding the foregoing, an Option (whether an Incentive Stock Option or a Nonstatutory Stock Option) may be granted with an exercise price lower than the minimum exercise price set forth above if such Option is granted pursuant to an assumption or substitution for another option in a manner that would qualify under the provisions of Section 409A or 424(a) of the Code.

6.2 **Exercisability and Term of Options.** Options shall be exercisable at such time or times, or upon such event or events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Committee and set forth in the

Award Agreement evidencing such Option; provided, however, that (a) no Option shall be exercisable after the expiration of ten (10) years after the effective date of grant of such Option, (b) no Incentive Stock Option granted to a Ten Percent Owner shall be exercisable after the expiration of five (5) years after the effective date of grant of such Option and (c) no Option granted to an Employee who is a non-exempt employee for purposes of the Fair Labor Standards Act of 1938, as amended, shall be first exercisable until at least six (6) months following the date of grant of such Option (except in the event of such Employee's death, disability or retirement, upon a Change in Control, or as otherwise permitted by the Worker Economic Opportunity Act). Subject to the foregoing, unless otherwise specified by the Committee in the grant of an Option, each Option shall terminate ten (10) years after the effective date of grant of the Option, unless earlier terminated in accordance with its provisions.

6.3 **Payment of Exercise Price.**

(a) ***Forms of Consideration Authorized.*** Except as otherwise provided below, payment of the exercise price for the number of shares of Stock being purchased pursuant to any Option shall be made (i) in cash, by check or in cash equivalent; (ii) if permitted by the Committee and subject to the limitations contained in Section 6.3(b), by means of (1) a Cashless Exercise, (2) a Stock Tender Exercise or (3) a Net Exercise; (iii) by such other consideration as may be approved by the Committee from time to time to the extent permitted by applicable law, or (iv) by any combination thereof. The Committee may at any time or from time to time grant Options which do not permit all of the foregoing forms of consideration to be used in payment of the exercise price or which otherwise restrict one or more forms of consideration.

(b) ***Limitations on Forms of Consideration.***

(i) **Cashless Exercise.** A *"**Cashless Exercise**"* means the delivery of a properly executed notice of exercise together with irrevocable instructions to a broker providing for the assignment to the Company of the proceeds of a sale or loan with respect to some or all of the shares being acquired upon the exercise of the Option (including, without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of Governors of the Federal Reserve System). The Company reserves, at any and all times, the right, in the Company's sole and absolute discretion, to establish, decline to approve or terminate any program or procedures for the exercise of Options by means of a Cashless Exercise, including with respect to one or more Participants specified by the Company notwithstanding that such program or procedures may be available to other Participants.

(ii) **Stock Tender Exercise.** A *"**Stock Tender Exercise**"* means the delivery of a property executed exercise notice accompanies by a Participant's tender to the Company, or attestation to the ownership, in a form acceptable to the Company of whole shares of Stock owned by the Participant having a Fair Market Value that does not exceed the aggregate exercise price for the shares with respect to which the Option is exercised. A Stock Tender Exercise shall not be permitted if it would constitute a violation of the provisions of any law, regulation or agreement restricting the redemption of the Company's stock. If required by the Company, an Option may not be exercised by tender to the Company, or attestation to the

ownership, of shares of Stock unless such shares either have been owned by the Participant for a period of time required by the Company (and not used for another option exercise by attestation during such period) or were not acquired, directly or indirectly, from the Company.

(iii) **Net Exercise.** A "***Net Exercise***" means the delivery of a properly executed exercise notice followed by a procedure pursuant to which (1) the Company will reduce the number of shares otherwise issuable to a Participant upon the exercise of an Option by the largest whole number of shares having a Fair Market Value that does not exceed the aggregate exercise price for the shares with respect to which the Option is exercised, and (2) the Participant shall pay to the Company in cash the remaining balance of such aggregate exercise price not satisfied by such reduction in the number of whole shares to be issued.

6.4 **Effect of Termination of Service.**

(a) ***Option Exercisability.*** Subject to earlier termination of the Option as otherwise provided by this Plan and unless otherwise provided by the Committee, an Option shall terminate immediately upon the Participant's termination of Service to the extent that it is then unvested and shall be exercisable after the Participant's termination of Service to the extent it is then vested only during the applicable time period determined in accordance with this Section and thereafter shall terminate.

(i) **Disability.** If the Participant's Service terminates because of the Disability of the Participant, the Option, to the extent unexercised and exercisable for vested shares on the date on which the Participant's Service terminated, may be exercised by the Participant (or the Participant's guardian or legal representative) at any time prior to the expiration of twelve (12) months after the date on which the Participant's Service terminated, but in any event no later than the date of expiration of the Option's term as set forth in the Award Agreement evidencing such Option (the "***Option Expiration Date***").

(ii) **Death.** If the Participant's Service terminates because of the death of the Participant, the Option, to the extent unexercised and exercisable for vested shares on the date on which the Participant's Service terminated, may be exercised by the Participant's legal representative or other person who acquired the right to exercise the Option by reason of the Participant's death at any time prior to the expiration of twelve (12) months after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date. The Participant's Service shall be deemed to have terminated on account of death if the Participant dies within three (3) months after the Participant's termination of Service.

(iii) **Termination for Cause.** Notwithstanding any other provision of the Plan to the contrary, if the Participant's Service is terminated for Cause or if, following the Participant's termination of Service and during any period in which the Option otherwise would remain exercisable, the Participant engages in any act that would constitute Cause, the Option shall terminate in its entirety and cease to be exercisable immediately upon such termination of Service or act.

(iv) **Other Termination of Service.** If the Participant's Service terminates for any reason, except Disability, death or Cause, the Option, to the extent

unexercised and exercisable for vested shares on the date on which the Participant's Service terminated, may be exercised by the Participant at any time prior to the expiration of three (3) months after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date.

(b) ***Extension if Exercise Prevented by Law.*** Notwithstanding the foregoing, other than termination of Service for Cause, if the exercise of an Option within the applicable time periods set forth in Section 6.4(a) is prevented by the provisions of Section 14 below, the Option shall remain exercisable until the later of (i) thirty (30) days after the date such exercise first would no longer be prevented by such provisions or (ii) the end of the applicable time period under Section 6.4(a), but in any event no later than the Option Expiration Date.

6.5 **Transferability of Options.** During the lifetime of the Participant, an Option shall be exercisable only by the Participant or the Participant's guardian or legal representative. An Option shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. Notwithstanding the foregoing, to the extent permitted by the Committee, in its discretion, and set forth in the Award Agreement evidencing such Option, an Option shall be assignable or transferable subject to the applicable limitations, if any, described in the General Instructions to Form S-8 under the Securities Act or, in the case of an Incentive Stock Option, only as permitted by applicable regulations under Section 421 of the Code in a manner that does not disqualify such Option as an Incentive Stock Option.

7. **Stock Appreciation Rights.**

Stock Appreciation Rights shall be evidenced by Award Agreements specifying the number of shares of Stock subject to the Award, in such form as the Committee shall from time to time establish. Award Agreements evidencing SARs may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

7.1 **Types of SARs Authorized.** SARs may be granted in tandem with all or any portion of a related Option (a "***Tandem SAR***") or may be granted independently of any Option (a "***Freestanding SAR***"). A Tandem SAR may only be granted concurrently with the grant of the related Option.

7.2 **Exercise Price.** The exercise price for each SAR shall be established in the discretion of the Committee; provided, however, that (a) the exercise price per share subject to a Tandem SAR shall be the exercise price per share under the related Option and (b) the exercise price per share subject to a Freestanding SAR shall be not less than the Fair Market Value of a share of Stock on the effective date of grant of the SAR. Notwithstanding the foregoing, an SAR may be granted with an exercise price lower than the minimum exercise price set forth above if such SAR is granted pursuant to an assumption or substitution for another stock appreciation right in a manner that would qualify under the provisions of Section 409A of the Code.

7.3 **Exercisability and Term of SARs.**

(a) ***Tandem SARs.*** Tandem SARs shall be exercisable only at the time and to the extent, and only to the extent, that the related Option is exercisable, subject to such provisions as the Committee may specify where the Tandem SAR is granted with respect to less than the full number of shares of Stock subject to the related Option. The Committee may, in its discretion, provide in any Award Agreement evidencing a Tandem SAR that such SAR may not be exercised without the advance approval of the Company and, if such approval is not given, then the Option shall nevertheless remain exercisable in accordance with its terms. A Tandem SAR shall terminate and cease to be exercisable no later than the date on which the related Option expires or is terminated or canceled. Upon the exercise of a Tandem SAR with respect to some or all of the shares subject to such SAR, the related Option shall be canceled automatically as to the number of shares with respect to which the Tandem SAR was exercised. Upon the exercise of an Option related to a Tandem SAR as to some or all of the shares subject to such Option, the related Tandem SAR shall be canceled automatically as to the number of shares with respect to which the related Option was exercised.

(b) ***Freestanding SARs.*** Freestanding SARs shall be exercisable at such time or times, or upon such event or events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Committee and set forth in the Award Agreement evidencing such SAR; provided, however, that (i) no Freestanding SAR shall be exercisable after the expiration of ten (10) years after the effective date of grant of such SAR and (ii) no Freestanding SAR granted to an Employee who is a non-exempt employee for purposes of the Fair Labor Standards Act of 1938, as amended, shall be first exercisable until at least six (6) months following the date of grant of such SAR (except in the event of such Employee's death, disability or retirement, upon a Change in Control, or as otherwise permitted by the Worker Economic Opportunity Act). Subject to the foregoing, unless otherwise specified by the Committee in the grant of a Freestanding SAR, each Freestanding SAR shall terminate ten (10) years after the effective date of grant of the SAR, unless earlier terminated in accordance with its provisions.

7.4 **Exercise of SARs.** Upon the exercise (or deemed exercise pursuant to Section 7.5) of an SAR, the Participant (or the Participant's legal representative or other person who acquired the right to exercise the SAR by reason of the Participant's death) shall be entitled to receive payment of an amount for each share with respect to which the SAR is exercised equal to the excess, if any, of the Fair Market Value of a share of Stock on the date of exercise of the SAR over the exercise price. Payment of such amount shall be made (a) in the case of a Tandem SAR, solely in shares of Stock in a lump sum upon the date of exercise of the SAR and (b) in the case of a Freestanding SAR, in cash, shares of Stock, or any combination thereof as determined by the Committee, in a lump sum upon the date of exercise of the SAR. When payment is to be made in shares of Stock, the number of shares to be issued shall be determined on the basis of the Fair Market Value of a share of Stock on the date of exercise of the SAR. For purposes of Section 7, an SAR shall be deemed exercised on the date on which the Company receives notice of exercise from the Participant or as otherwise provided in Section 7.5.

7.5 **Deemed Exercise of SARs.** If, on the date on which an SAR would otherwise terminate or expire, the SAR by its terms remains exercisable immediately prior to

such termination or expiration and, if so exercised, would result in a payment to the holder of such SAR, then any portion of such SAR which has not previously been exercised shall automatically be deemed to be exercised as of such date with respect to such portion.

7.6 **Effect of Termination of Service.** Subject to earlier termination of the SAR as otherwise provided herein and unless otherwise provided by the Committee, an SAR shall be exercisable after a Participant's termination of Service only to the extent and during the applicable time period determined in accordance with Section 6.4 (treating the SAR as if it were an Option) and thereafter shall terminate.

7.7 **Transferability of SARs.** During the lifetime of the Participant, an SAR shall be exercisable only by the Participant or the Participant's guardian or legal representative. An SAR shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. Notwithstanding the foregoing, to the extent permitted by the Committee, in its discretion, and set forth in the Award Agreement evidencing such Award, a Tandem SAR related to a Nonstatutory Stock Option or a Freestanding SAR shall be assignable or transferable subject to the applicable limitations, if any, described in the General Instructions to Form S-8 under the Securities Act.

8. **Restricted Stock Awards.**

Restricted Stock Awards shall be evidenced by Award Agreements specifying whether the Award is a Restricted Stock Bonus or a Restricted Stock Purchase Right and the number of shares of Stock subject to the Award, in such form as the Committee shall from time to time establish. Award Agreements evidencing Restricted Stock Awards may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

8.1 **Types of Restricted Stock Awards Authorized.** Restricted Stock Awards may be granted in the form of either a Restricted Stock Bonus or a Restricted Stock Purchase Right. Restricted Stock Awards may be granted upon such conditions as the Committee shall determine, including, without limitation, upon the attainment of one or more Performance Goals described in Section 10.4. If either the grant of or satisfaction of Vesting Conditions applicable to a Restricted Stock Award is to be contingent upon the attainment of one or more Performance Goals, the Committee shall follow procedures substantially equivalent to those set forth in Sections 10.3 through 10.5(a).

8.2 **Purchase Price.** The purchase price for shares of Stock issuable under each Restricted Stock Purchase Right shall be established by the Committee in its discretion. No monetary payment (other than applicable tax withholding) shall be required as a condition of receiving shares of Stock pursuant to a Restricted Stock Bonus, the consideration for which shall be services actually rendered to a Participating Company or for its benefit. Notwithstanding the foregoing, if required by applicable state corporate law, the Participant shall furnish consideration in the form of cash or past services rendered to a Participating Company or for its

benefit having a value not less than the par value of the shares of Stock subject to a Restricted Stock Award.

8.3 **Purchase Period.** A Restricted Stock Purchase Right shall be exercisable within a period established by the Committee, which shall in no event exceed thirty (30) days from the effective date of the grant of the Restricted Stock Purchase Right.

8.4 **Payment of Purchase Price.** Except as otherwise provided below, payment of the purchase price for the number of shares of Stock being purchased pursuant to any Restricted Stock Purchase Right shall be made (a) in cash, by check or in cash equivalent, (b) by such other consideration as may be approved by the Committee from time to time to the extent permitted by applicable law, or (c) by any combination thereof.

8.5 **Vesting and Restrictions on Transfer.** Shares issued pursuant to any Restricted Stock Award may (but need not) be made subject to Vesting Conditions based upon the satisfaction of such Service requirements, conditions, restrictions or performance criteria, including, without limitation, Performance Goals as described in Section 10.4, as shall be established by the Committee and set forth in the Award Agreement evidencing such Award. During any period in which shares acquired pursuant to a Restricted Stock Award remain subject to Vesting Conditions, such shares may not be sold, exchanged, transferred, pledged, assigned or otherwise disposed of other than pursuant to an Ownership Change Event or as provided in Section 8.8. The Committee, in its discretion, may provide in any Award Agreement evidencing a Restricted Stock Award that, if the satisfaction of Vesting Conditions with respect to any shares subject to such Restricted Stock Award would otherwise occur on a day on which the sale of such shares would violate the provisions of the Trading Compliance Policy, then satisfaction of the Vesting Conditions automatically shall be determined on the next trading day on which the sale of such shares would not violate the Trading Compliance Policy. Upon request by the Company, each Participant shall execute any agreement evidencing such transfer restrictions prior to the receipt of shares of Stock hereunder and shall promptly present to the Company any and all certificates representing shares of Stock acquired hereunder for the placement on such certificates of appropriate legends evidencing any such transfer restrictions.

8.6 **Voting Rights; Dividends and Distributions.** Except as provided in this Section, Section 8.5 and any Award Agreement, during any period in which shares acquired pursuant to a Restricted Stock Award remain subject to Vesting Conditions, the Participant shall have all of the rights of a stockholder of the Company holding shares of Stock, including the right to vote such shares and to receive all dividends and other distributions paid with respect to such shares; provided, however, that unless otherwise determined by the Committee and provided by the Award Agreement, such dividends and distributions shall be subject to the same Vesting Conditions as the shares subject to the Restricted Stock Award with respect to which such dividends or distributions were paid, and otherwise shall be paid no later than the end of the calendar year in which such dividends or distributions are paid to stockholders (or, if later, the 15th day of the third month following the date such dividends or distributions are paid to stockholders). In the event of a dividend or distribution paid in shares of Stock or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.5, any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends) to which the Participant is entitled by reason of the

Participant's Restricted Stock Award shall be immediately subject to the same Vesting Conditions as the shares subject to the Restricted Stock Award with respect to which such dividends or distributions were paid or adjustments were made.

8.7 **Effect of Termination of Service.** Unless otherwise provided by the Committee in the Award Agreement evidencing a Restricted Stock Award, if a Participant's Service terminates for any reason, whether voluntary or involuntary (including the Participant's death or disability), then (a) the Company shall have the option to repurchase for the purchase price paid by the Participant any shares acquired by the Participant pursuant to a Restricted Stock Purchase Right which remain subject to Vesting Conditions as of the date of the Participant's termination of Service and (b) the Participant shall forfeit to the Company any shares acquired by the Participant pursuant to a Restricted Stock Bonus which remain subject to Vesting Conditions as of the date of the Participant's termination of Service. The Company shall have the right to assign at any time any repurchase right it may have, whether or not such right is then exercisable, to one or more persons as may be selected by the Company.

8.8 **Nontransferability of Restricted Stock Award Rights.** Rights to acquire shares of Stock pursuant to a Restricted Stock Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or the laws of descent and distribution. All rights with respect to a Restricted Stock Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

9. **Restricted Stock Unit Awards.**

Restricted Stock Unit Awards shall be evidenced by Award Agreements specifying the number of Restricted Stock Units subject to the Award, in such form as the Committee shall from time to time establish. Award Agreements evidencing Restricted Stock Units may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

9.1 **Grant of Restricted Stock Unit Awards.** Restricted Stock Unit Awards may be granted upon such conditions as the Committee shall determine, including, without limitation, upon the attainment of one or more Performance Goals described in Section 10.4. If either the grant of a Restricted Stock Unit Award or the Vesting Conditions with respect to such Award is to be contingent upon the attainment of one or more Performance Goals, the Committee shall follow procedures substantially equivalent to those set forth in Sections 10.3 through 10.5(a).

9.2 **Purchase Price.** No monetary payment (other than applicable tax withholding, if any) shall be required as a condition of receiving a Restricted Stock Unit Award, the consideration for which shall be services actually rendered to a Participating Company or for its benefit. Notwithstanding the foregoing, if required by applicable state corporate law, the Participant shall furnish consideration in the form of cash or past services rendered to a Participating Company or for its benefit having a value not less than the par value of the shares of Stock issued upon settlement of the Restricted Stock Unit Award.

9.3 **Vesting.** Restricted Stock Unit Awards may (but need not) be made subject to Vesting Conditions based upon the satisfaction of such Service requirements, conditions, restrictions or performance criteria, including, without limitation, Performance Goals as described in Section 10.4, as shall be established by the Committee and set forth in the Award Agreement evidencing such Award. The Committee, in its discretion, may provide in any Award Agreement evidencing a Restricted Stock Unit Award that, if the satisfaction of Vesting Conditions with respect to any shares subject to the Award would otherwise occur on a day on which the sale of such shares would violate the provisions of the Trading Compliance Policy, then the satisfaction of the Vesting Conditions automatically shall be determined on the first to occur of (a) the next trading day on which the sale of such shares would not violate the Trading Compliance Policy or (b) the later of (i) last day of the calendar year in which the original vesting date occurred or (ii) the last day of the Company's taxable year in which the original vesting date occurred.

9.4 **Voting Rights, Dividend Equivalent Rights and Distributions.** Participants shall have no voting rights with respect to shares of Stock represented by Restricted Stock Units until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). However, the Committee, in its discretion, may provide in the Award Agreement evidencing any Restricted Stock Unit Award that the Participant shall be entitled to Dividend Equivalent Rights with respect to the payment of cash dividends on Stock during the period beginning on the date such Award is granted and ending, with respect to each share subject to the Award, on the earlier of the date the Award is settled or the date on which it is terminated. Such Dividend Equivalent Rights, if any, shall be paid by crediting the Participant with a cash amount or with additional whole Restricted Stock Units as of the date of payment of such cash dividends on Stock, as determined by the Committee. The number of additional Restricted Stock Units (rounded to the nearest whole number), if any, to be so credited shall be determined by dividing (a) the amount of cash dividends paid on such date with respect to the number of shares of Stock represented by the Restricted Stock Units previously credited to the Participant by (b) the Fair Market Value per share of Stock on such date. Such cash amounts and/or additional Restricted Stock Units shall be subject to the same terms and conditions and shall be settled in the same manner and at the same time as the Restricted Stock Units originally subject to the Restricted Stock Unit Award. In the event of a dividend or distribution paid in shares of Stock or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.5, appropriate adjustments shall be made in the Participant's Restricted Stock Unit Award so that it represents the right to receive upon settlement any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends) to which the Participant would be entitled by reason of the shares of Stock issuable upon settlement of the Award, and all such new, substituted or additional securities or other property shall be immediately subject to the same Vesting Conditions as are applicable to the Award.

9.5 **Effect of Termination of Service.** Unless otherwise provided by the Committee and set forth in the Award Agreement evidencing a Restricted Stock Unit Award, if a Participant's Service terminates for any reason, whether voluntary or involuntary (including the Participant's death or disability), then the Participant shall forfeit to the Company any Restricted Stock Units pursuant to the Award which remain subject to Vesting Conditions as of the date of the Participant's termination of Service.

9.6 **Settlement of Restricted Stock Unit Awards.** The Company shall issue to a Participant on the date on which Restricted Stock Units subject to the Participant's Restricted Stock Unit Award vest or on such other date determined by the Committee, in its discretion, and set forth in the Award Agreement one (1) share of Stock (and/or any other new, substituted or additional securities or other property pursuant to an adjustment described in Section 9.4) for each Restricted Stock Unit then becoming vested or otherwise to be settled on such date, subject to the withholding of applicable taxes, if any. If permitted by the Committee, the Participant may elect, consistent with the requirements of Section 409A, to defer receipt of all or any portion of the shares of Stock or other property otherwise issuable to the Participant pursuant to this Section, and such deferred issuance date(s) and amount(s) elected by the Participant shall be set forth in the Award Agreement. Notwithstanding the foregoing, the Committee, in its discretion, may provide for settlement of any Restricted Stock Unit Award by payment to the Participant in cash of an amount equal to the Fair Market Value on the payment date of the shares of Stock or other property otherwise issuable to the Participant pursuant to this Section.

9.7 **Nontransferability of Restricted Stock Unit Awards.** The right to receive shares pursuant to a Restricted Stock Unit Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to a Restricted Stock Unit Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

10. **PERFORMANCE AWARDS.**

Performance Awards shall be evidenced by Award Agreements in such form as the Committee shall from time to time establish. Award Agreements evidencing Performance Awards may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

10.1 **Types of Performance Awards Authorized.** Performance Awards may be granted in the form of either Performance Shares or Performance Units. Each Award Agreement evidencing a Performance Award shall specify the number of Performance Shares or Performance Units subject thereto, the Performance Award Formula, the Performance Goal(s) and Performance Period applicable to the Award, and the other terms, conditions and restrictions of the Award.

10.2 **Initial Value of Performance Shares and Performance Units.** Unless otherwise provided by the Committee in granting a Performance Award, each Performance Share shall have an initial monetary value equal to the Fair Market Value of one (1) share of Stock, subject to adjustment as provided in Section 4.5, on the effective date of grant of the Performance Share, and each Performance Unit shall have an initial monetary value established by the Committee at the time of grant. The final value payable to the Participant in settlement of a Performance Award determined on the basis of the applicable Performance Award Formula will depend on the extent to which Performance Goals established by the Committee are attained within the applicable Performance Period established by the Committee.

10.3 **Establishment of Performance Period, Performance Goals and Performance Award Formula.** In granting each Performance Award, the Committee shall establish in writing the applicable Performance Period, Performance Award Formula and one or more Performance Goals which, when measured at the end of the Performance Period, shall determine on the basis of the Performance Award Formula the final value of the Performance Award to be paid to the Participant. Unless otherwise permitted in compliance with the requirements under Section 162(m) with respect to each Performance Award intended to result in the payment of Performance-Based Compensation, the Committee shall establish the Performance Goal(s) and Performance Award Formula applicable to each Performance Award no later than the earlier of (a) the date ninety (90) days after the commencement of the applicable Performance Period or (b) the date on which 25% of the Performance Period has elapsed, and, in any event, at a time when the outcome of the Performance Goals remains substantially uncertain. Once established, the Performance Goals and Performance Award Formula applicable to a Covered Employee shall not be changed during the Performance Period. The Company shall notify each Participant granted a Performance Award of the terms of such Award, including the Performance Period, Performance Goal(s) and Performance Award Formula.

10.4 **Measurement of Performance Goals.** Performance Goals shall be established by the Committee on the basis of targets to be attained ("***Performance Targets***") with respect to one or more measures of business or financial performance (each, a "***Performance Measure***"), subject to the following:

(a) ***Performance Measures.*** Performance Measures shall be calculated in accordance with the Company's financial statements, or, if such terms are not used in the Company's financial statements, they shall be calculated in accordance with generally accepted accounting principles, a method used generally in the Company's industry, or in accordance with a methodology established by the Committee prior to the grant of the Performance Award. Performance Measures shall be calculated with respect to the Company and each Subsidiary Corporation consolidated therewith for financial reporting purposes or such division or other business unit as may be selected by the Committee. Unless otherwise determined by the Committee prior to the grant of the Performance Award, the Performance Measures applicable to the Performance Award shall be calculated prior to the accrual of expense for any Performance Award for the same Performance Period and excluding the effect (whether positive or negative) on the Performance Measures of any change in accounting standards or any extraordinary, unusual or nonrecurring item, as determined by the Committee, occurring after the establishment of the Performance Goals applicable to the Performance Award. Each such adjustment, if any, shall be made solely for the purpose of providing a consistent basis from period to period for the calculation of Performance Measures in order to prevent the dilution or enlargement of the Participant's rights with respect to a Performance Award. Performance Measures may be one or more of the following, as determined by the Committee:

(i) revenue;

(ii) sales;

(iii) expenses;

(iv) operating income;

(v) gross margin;

(vi) operating margin;

(vii) earnings before any one or more of: stock-based compensation expense, interest, taxes, depreciation and amortization;

(viii) pre-tax profit;

(ix) net operating income;

(x) net income;

(xi) economic value added;

(xii) free cash flow;

(xiii) operating cash flow;

(xiv) balance of cash, cash equivalents and marketable securities;

(xv) stock price;

(xvi) earnings per share;

(xvii) return on stockholder equity;

(xviii) return on capital;

(xix) return on assets;

(xx) return on investment;

(xxi) total stockholder return;

(xxii) employee satisfaction;

(xxiii) employee retention;

(xxiv) market share;

(xxv) customer satisfaction;

(xxvi) product development;

(xxvii) research and development expenses;

(xxviii) completion of an identified special project; and

(xxix) completion of a joint venture or other corporate transaction.

(b) ***Performance Targets.*** Performance Targets may include a minimum, maximum, target level and intermediate levels of performance, with the final value of a Performance Award determined under the applicable Performance Award Formula by the level attained during the applicable Performance Period. A Performance Target may be stated as an absolute value, an increase or decrease in a value, or as a value determined relative to an index, budget or other standard selected by the Committee.

10.5 **Settlement of Performance Awards.**

(a) ***Determination of Final Value.*** As soon as practicable following the completion of the Performance Period applicable to a Performance Award, the Committee shall certify in writing the extent to which the applicable Performance Goals have been attained and the resulting final value of the Award earned by the Participant and to be paid upon its settlement in accordance with the applicable Performance Award Formula.

(b) ***Discretionary Adjustment of Award Formula.*** In its discretion, the Committee may, either at the time it grants a Performance Award or at any time thereafter, provide for the positive or negative adjustment of the Performance Award Formula applicable to a Performance Award granted to any Participant who is not a Covered Employee to reflect such Participant's individual performance in his or her position with the Company or such other factors as the Committee may determine. If permitted under a Covered Employee's Award Agreement, the Committee shall have the discretion, on the basis of such criteria as may be established by the Committee, to reduce some or all of the value of the Performance Award that would otherwise be paid to the Covered Employee upon its settlement notwithstanding the attainment of any Performance Goal and the resulting value of the Performance Award determined in accordance with the Performance Award Formula. No such reduction may result in an increase in the amount payable upon settlement of another Participant's Performance Award that is intended to result in Performance-Based Compensation.

(c) ***Effect of Leaves of Absence.*** Unless otherwise required by law or a Participant's Award Agreement, payment of the final value, if any, of a Performance Award held by a Participant who has taken in excess of thirty (30) days in unpaid leaves of absence during a Performance Period shall be prorated on the basis of the number of days of the Participant's Service during the Performance Period during which the Participant was not on an unpaid leave of absence.

(d) ***Notice to Participants.*** As soon as practicable following the Committee's determination and certification in accordance with Sections 10.5(a) and (b), the Company shall notify each Participant of the determination of the Committee.

(e) ***Payment in Settlement of Performance Awards.*** As soon as practicable following the Committee's determination and certification in accordance with Sections 10.5(a) and (b), but in any event within the Short-Term Deferral Period described in Section 15.1 (except as otherwise provided below or consistent with the requirements of Section 409A), payment shall be made to each eligible Participant (or such Participant's legal

representative or other person who acquired the right to receive such payment by reason of the Participant's death) of the final value of the Participant's Performance Award. Payment of such amount shall be made in cash, shares of Stock, or a combination thereof as determined by the Committee. Unless otherwise provided in the Award Agreement evidencing a Performance Award, payment shall be made in a lump sum. If permitted by the Committee, the Participant may elect, consistent with the requirements of Section 409A, to defer receipt of all or any portion of the payment to be made to the Participant pursuant to this Section, and such deferred payment date(s) elected by the Participant shall be set forth in the Award Agreement. If any payment is to be made on a deferred basis, the Committee may, but shall not be obligated to, provide for the payment during the deferral period of Dividend Equivalent Rights or interest.

(f) ***Provisions Applicable to Payment in Shares.*** If payment is to be made in shares of Stock, the number of such shares shall be determined by dividing the final value of the Performance Award by the Fair Market Value of a share of Stock determined by the method specified in the Award Agreement. Shares of Stock issued in payment of any Performance Award may be fully vested and freely transferable shares or may be shares of Stock subject to Vesting Conditions as provided in Section 8.5. Any shares subject to Vesting Conditions shall be evidenced by an appropriate Award Agreement and shall be subject to the provisions of Sections 8.5 through 8.8 above.

10.6 **Voting Rights; Dividend Equivalent Rights and Distributions.** Participants shall have no voting rights with respect to shares of Stock represented by Performance Share Awards until the date of the issuance of such shares, if any (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). However, the Committee, in its discretion, may provide in the Award Agreement evidencing any Performance Share Award that the Participant shall be entitled to Dividend Equivalent Rights with respect to the payment of cash dividends on Stock during the period beginning on the date the Award is granted and ending, with respect to each share subject to the Award, on the earlier of the date on which the Performance Shares are settled or the date on which they are forfeited. Such Dividend Equivalent Rights, if any, shall be credited to the Participant either in cash or in the form of additional whole Performance Shares as of the date of payment of such cash dividends on Stock, as determined by the Committee. The number of additional Performance Shares (rounded to the nearest whole number), if any, to be so credited shall be determined by dividing (a) the amount of cash dividends paid on the dividend payment date with respect to the number of shares of Stock represented by the Performance Shares previously credited to the Participant by (b) the Fair Market Value per share of Stock on such date. Dividend Equivalent Rights may be paid currently or may be accumulated and paid to the extent that Performance Shares become nonforfeitable, as determined by the Committee. Settlement of Dividend Equivalent Rights may be made in cash, shares of Stock, or a combination thereof as determined by the Committee, and may be paid on the same basis as settlement of the related Performance Share as provided in Section 10.5. Dividend Equivalent Rights shall not be paid with respect to Performance Units. In the event of a dividend or distribution paid in shares of Stock or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.5, appropriate adjustments shall be made in the Participant's Performance Share Award so that it represents the right to receive upon settlement any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends) to which the Participant would be entitled

by reason of the shares of Stock issuable upon settlement of the Performance Share Award, and all such new, substituted or additional securities or other property shall be immediately subject to the same Performance Goals as are applicable to the Award.

10.7 **Effect of Termination of Service.** Unless otherwise provided by the Committee and set forth in the Award Agreement evidencing a Performance Award, the effect of a Participant's termination of Service on the Performance Award shall be as follows:

(a) ***Death or Disability.*** If the Participant's Service terminates because of the death or Disability of the Participant before the completion of the Performance Period applicable to the Performance Award, the final value of the Participant's Performance Award shall be determined by the extent to which the applicable Performance Goals have been attained with respect to the entire Performance Period and shall be prorated based on the number of months of the Participant's Service during the Performance Period. Payment shall be made following the end of the Performance Period in any manner permitted by Section 10.5.

(b) ***Other Termination of Service.*** If the Participant's Service terminates for any reason except death or Disability before the completion of the Performance Period applicable to the Performance Award, such Award shall be forfeited in its entirety; provided, however, that in the event of an involuntary termination of the Participant's Service, the Committee, in its discretion, may waive the automatic forfeiture of all or any portion of any such Award and determine the final value of the Performance Award in the manner provided by Section 10.7(a). Payment of any amount pursuant to this Section shall be made following the end of the Performance Period in any manner permitted by Section 10.5.

10.8 **Nontransferability of Performance Awards.** Prior to settlement in accordance with the provisions of the Plan, no Performance Award shall be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to a Performance Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

11. **CASH-BASED AWARDS AND OTHER STOCK-BASED AWARDS.**

Cash-Based Awards and Other Stock-Based Awards shall be evidenced by Award Agreements in such form as the Committee shall from time to time establish. Award Agreements evidencing Cash-Based Awards and Other Stock-Based Awards may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

11.1 **Grant of Cash-Based Awards**. Subject to the provisions of the Plan, the Committee, at any time and from time to time, may grant Cash-Based Awards to Participants in such amounts and upon such terms and conditions, including the achievement of performance criteria, as the Committee may determine.

11.2 **Grant of Other Stock-Based Awards**. The Committee may grant other types of equity-based or equity-related Awards not otherwise described by the terms of this Plan (including the grant or offer for sale of unrestricted securities, stock-equivalent units, stock appreciation units, securities or debentures convertible into common stock or other forms determined by the Committee) in such amounts and subject to such terms and conditions as the Committee shall determine. Other Stock-Based Awards may be made available as a form of payment in the settlement of other Awards or as payment in lieu of compensation to which a Participant is otherwise entitled. Other Stock-Based Awards may involve the transfer of actual shares of Stock to Participants, or payment in cash or otherwise of amounts based on the value of Stock and may include, without limitation, Awards designed to comply with or take advantage of the applicable local laws of jurisdictions other than the United States.

11.3 **Value of Cash-Based and Other Stock-Based Awards**. Each Cash-Based Award shall specify a monetary payment amount or payment range as determined by the Committee. Each Other Stock-Based Award shall be expressed in terms of shares of Stock or units based on such shares of Stock, as determined by the Committee. The Committee may require the satisfaction of such Service requirements, conditions, restrictions or performance criteria, including, without limitation, Performance Goals as described in Section 10.4, as shall be established by the Committee and set forth in the Award Agreement evidencing such Award. If the Committee exercises its discretion to establish performance criteria, the final value of Cash-Based Awards or Other Stock-Based Awards that will be paid to the Participant will depend on the extent to which the performance criteria are met. The establishment of performance criteria with respect to the grant or vesting of any Cash-Based Award or Other Stock-Based Award intended to result in Performance-Based Compensation shall follow procedures substantially equivalent to those applicable to Performance Awards set forth in Section 10.

11.4 **Payment or Settlement of Cash-Based Awards and Other Stock-Based Awards**. Payment or settlement, if any, with respect to a Cash-Based Award or an Other Stock-Based Award shall be made in accordance with the terms of the Award, in cash, shares of Stock or other securities or any combination thereof as the Committee determines. The determination and certification of the final value with respect to any Cash-Based Award or Other Stock-Based Award intended to result in Performance-Based Compensation shall comply with the requirements applicable to Performance Awards set forth in Section 10. To the extent applicable, payment or settlement with respect to each Cash-Based Award and Other Stock-Based Award shall be made in compliance with the requirements of Section 409A.

11.5 **Voting Rights; Dividend Equivalent Rights and Distributions.** Participants shall have no voting rights with respect to shares of Stock represented by Other Stock-Based Awards until the date of the issuance of such shares of Stock (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), if any, in settlement of such Award. However, the Committee, in its discretion, may provide in the Award Agreement evidencing any Other Stock-Based Award that the Participant shall be entitled to Dividend Equivalent Rights with respect to the payment of cash dividends on Stock during the period beginning on the date such Award is granted and ending, with respect to each share subject to the Award, on the earlier of the date the Award is settled or the date on which it is terminated. Such Dividend Equivalent Rights, if any, shall be paid in accordance

with the provisions set forth in Section 9.4. Dividend Equivalent Rights shall not be granted with respect to Cash-Based Awards. In the event of a dividend or distribution paid in shares of Stock or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.5, appropriate adjustments shall be made in the Participant's Other Stock-Based Award so that it represents the right to receive upon settlement any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends) to which the Participant would be entitled by reason of the shares of Stock issuable upon settlement of such Award, and all such new, substituted or additional securities or other property shall be immediately subject to the same Vesting Conditions and performance criteria, if any, as are applicable to the Award.

11.6 **Effect of Termination of Service**. Each Award Agreement evidencing a Cash-Based Award or Other Stock-Based Award shall set forth the extent to which the Participant shall have the right to retain such Award following termination of the Participant's Service. Such provisions shall be determined in the discretion of the Committee, need not be uniform among all Cash-Based Awards or Other Stock-Based Awards, and may reflect distinctions based on the reasons for termination, subject to the requirements of Section 409A, if applicable.

11.7 **Nontransferability of Cash-Based Awards and Other Stock-Based Awards.** Prior to the payment or settlement of a Cash-Based Award or Other Stock-Based Award, the Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. The Committee may impose such additional restrictions on any shares of Stock issued in settlement of Cash-Based Awards and Other Stock-Based Awards as it may deem advisable, including, without limitation, minimum holding period requirements, restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which such shares of Stock are then listed and/or traded, or under any state securities laws or foreign law applicable to such shares of Stock.

12. **Standard Forms of Award Agreement.**

12.1 **Award Agreements.** Each Award shall comply with and be subject to the terms and conditions set forth in the appropriate form of Award Agreement approved by the Committee and as amended from time to time. No Award or purported Award shall be a valid and binding obligation of the Company unless evidenced by a fully executed Award Agreement, which execution may be evidenced by electronic means.

12.2 **Authority to Vary Terms.** The Committee shall have the authority from time to time to vary the terms of any standard form of Award Agreement either in connection with the grant or amendment of an individual Award or in connection with the authorization of a new standard form or forms; provided, however, that the terms and conditions of any such new, revised or amended standard form or forms of Award Agreement are not inconsistent with the terms of the Plan.

13. **CHANGE IN CONTROL.**

13.1 **Effect of Change in Control on Awards.** Subject to the requirements and limitations of Section 409A, if applicable, the Committee may provide for any one or more of the following:

(a) ***Accelerated Vesting.*** In its discretion, the Committee may provide in the grant of any Award or at any other time may take such action as it deems appropriate to provide for acceleration of the exercisability, vesting and/or settlement in connection with a Change in Control of each or any outstanding Award or portion thereof and shares acquired pursuant thereto upon such conditions, including termination of the Participant's Service prior to, upon, or following such Change in Control, and to such extent as the Committee shall determine.

(b) ***Assumption, Continuation or Substitution.*** In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the "***Acquiror***"), may, without the consent of any Participant, assume or continue the Company's rights and obligations under each or any Award or portion thereof outstanding immediately prior to the Change in Control or substitute for each or any such outstanding Award or portion thereof a substantially equivalent award with respect to the Acquiror's stock, as applicable. For purposes of this Section, if so determined by the Committee in its discretion, an Award denominated in shares of Stock shall be deemed assumed if, following the Change in Control, the Award confers the right to receive, subject to the terms and conditions of the Plan and the applicable Award Agreement, for each share of Stock subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash, other securities or property or a combination thereof) to which a holder of a share of Stock on the effective date of the Change in Control was entitled (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Stock); provided, however, that if such consideration is not solely common stock of the Acquiror, the Committee may, with the consent of the Acquiror, provide for the consideration to be received upon the exercise or settlement of the Award, for each share of Stock subject to the Award, to consist solely of common stock of the Acquiror equal in Fair Market Value to the per share consideration received by holders of Stock pursuant to the Change in Control. Any Award or portion thereof which is neither assumed or continued by the Acquiror in connection with the Change in Control nor exercised or settled as of the time of consummation of the Change in Control shall terminate and cease to be outstanding effective as of the time of consummation of the Change in Control.

(c) ***Cash-Out of Outstanding Stock-Based Awards.*** The Committee may, in its discretion and without the consent of any Participant, determine that, upon the occurrence of a Change in Control, each or any Award denominated in shares of Stock or portion thereof outstanding immediately prior to the Change in Control and not previously exercised or settled shall be canceled in exchange for a payment with respect to each vested share (and each unvested share, if so determined by the Committee) of Stock subject to such canceled Award in (i) cash, (ii) stock of the Company or of a corporation or other business entity a party to the Change in Control, or (iii) other property which, in any such case, shall be in an amount having a Fair Market Value equal to the Fair Market Value of the consideration to be paid per share of Stock in the Change in Control, reduced (but not below zero) by the exercise or purchase price

per share, if any, under such Award. In the event such determination is made by the Committee, an Award having an exercise or purchase price per share equal to or greater than the Fair Market Value of the consideration to be paid per share of Stock in the Change in Control may be canceled without payment of consideration to the holder thereof. Payment pursuant to this Section (reduced by applicable withholding taxes, if any) shall be made to Participants in respect of the vested portions of their canceled Awards as soon as practicable following the date of the Change in Control and in respect of the unvested portions of their canceled Awards in accordance with the vesting schedules applicable to such Awards.

13.2 **Effect of Change in Control on Nonemployee Director Awards.** Subject to the requirements and limitations of Section 409A, if applicable, including as provided by Section 15.4(f), in the event of a Change in Control, each outstanding Nonemployee Director Award shall become immediately exercisable and vested in full and, except to the extent assumed, continued or substituted for pursuant to Section 13.1(b), shall be settled effective immediately prior to the time of consummation of the Change in Control.

13.3 **Federal Excise Tax Under Section 4999 of the Code.**

(a) ***Excess Parachute Payment.*** In the event that any acceleration of vesting pursuant to an Award and any other payment or benefit received or to be received by a Participant would subject the Participant to any excise tax pursuant to Section 4999 of the Code due to the characterization of such acceleration of vesting, payment or benefit as an "excess parachute payment" under Section 280G of the Code, the Participant may elect to reduce the amount of any acceleration of vesting called for under the Award in order to avoid such characterization.

(b) ***Determination by Independent Accountants.*** To aid the Participant in making any election called for under Section 13.3(a), no later than the date of the occurrence of any event that might reasonably be anticipated to result in an "excess parachute payment" to the Participant as described in Section 13.3(a), the Company shall request a determination in writing by independent public accountants selected by the Company (the "***Accountants***"). As soon as practicable thereafter, the Accountants shall determine and report to the Company and the Participant the amount of such acceleration of vesting, payments and benefits which would produce the greatest after-tax benefit to the Participant. For the purposes of such determination, the Accountants may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and the Participant shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make their required determination. The Company shall bear all fees and expenses the Accountants charge in connection with their services contemplated by this Section.

14. **COMPLIANCE WITH SECURITIES LAW.**

The grant of Awards and the issuance of shares of Stock pursuant to any Award shall be subject to compliance with all applicable requirements of federal, state and foreign law with respect to such securities and the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, no Award may be exercised or shares

issued pursuant to an Award unless (a) a registration statement under the Securities Act shall at the time of such exercise or issuance be in effect with respect to the shares issuable pursuant to the Award, or (b) in the opinion of legal counsel to the Company, the shares issuable pursuant to the Award may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares under the Plan shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to issuance of any Stock, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

15. **COMPLIANCE WITH SECTION 409A.**

15.1 **Awards Subject to Section 409A.** The Company intends that Awards granted pursuant to the Plan shall either be exempt from or comply with Section 409A, and the Plan shall be so construed. The provisions of this Section 15 shall apply to any Award or portion thereof that constitutes or provides for payment of Section 409A Deferred Compensation. Such Awards may include, without limitation:

(a) A Nonstatutory Stock Option or SAR that includes any feature for the deferral of compensation other than the deferral of recognition of income until the later of (i) the exercise or disposition of the Award or (ii) the time the stock acquired pursuant to the exercise of the Award first becomes substantially vested.

(b) Any Restricted Stock Unit Award, Performance Award, Cash-Based Award or Other Stock-Based Award that either (i) provides by its terms for settlement of all or any portion of the Award at a time or upon an event that will or may occur later than the end of the Short-Term Deferral Period (as defined below) or (ii) permits the Participant granted the Award to elect one or more dates or events upon which the Award will be settled after the end of the Short-Term Deferral Period.

Subject to the provisions of Section 409A, the term "***Short-Term Deferral Period***" means the 2½ month period ending on the later of (i) the 15th day of the third month following the end of the Participant's taxable year in which the right to payment under the applicable portion of the Award is no longer subject to a substantial risk of forfeiture or (ii) the 15th day of the third month following the end of the Company's taxable year in which the right to payment under the applicable portion of the Award is no longer subject to a substantial risk of forfeiture. For this purpose, the term "substantial risk of forfeiture" shall have the meaning provided by Section 409A.

15.2 **Deferral and/or Distribution Elections.** Except as otherwise permitted or required by Section 409A, the following rules shall apply to any compensation deferral and/or payment elections (each, an "***Election***") that may be permitted or required by the Committee pursuant to an Award providing Section 409A Deferred Compensation:

(a) Elections must be in writing and specify the amount of the payment in settlement of an Award being deferred, as well as the time and form of payment as permitted by this Plan.

(b) Elections shall be made by the end of the Participant's taxable year prior to the year in which services commence for which an Award may be granted to such Participant.

(c) Elections shall continue in effect until a written revocation or change in Election is received by the Company, except that a written revocation or change in Election must be received by the Company prior to the last day for making the Election determined in accordance with paragraph (b) above or as permitted by Section 15.3.

15.3 **Subsequent Elections.** Except as otherwise permitted or required by Section 409A, any Award providing Section 409A Deferred Compensation which permits a subsequent Election to delay the payment or change the form of payment in settlement of such Award shall comply with the following requirements:

(a) No subsequent Election may take effect until at least twelve (12) months after the date on which the subsequent Election is made.

(b) Each subsequent Election related to a payment in settlement of an Award not described in Section 15.4(a)(ii), 15.4(a)(iii) or 15.4(a)(vi) must result in a delay of the payment for a period of not less than five (5) years from the date on which such payment would otherwise have been made.

(c) No subsequent Election related to a payment pursuant to Section 15.4(a)(iv) shall be made less than twelve (12) months before the date on which such payment would otherwise have been made.

(d) Subsequent Elections shall continue in effect until a written revocation or change in the subsequent Election is received by the Company, except that a written revocation or change in a subsequent Election must be received by the Company prior to the last day for making the subsequent Election determined in accordance the preceding paragraphs of this Section 15.3.

15.4 **Payment of Section 409A Deferred Compensation.**

(a) ***Permissible Payments.*** Except as otherwise permitted or required by Section 409A, an Award providing Section 409A Deferred Compensation must provide for payment in settlement of the Award only upon one or more of the following:

(i) The Participant's "separation from service" (as defined by Section 409A);

(ii) The Participant's becoming "disabled" (as defined by Section 409A);

(iii) The Participant's death;

(iv) A time or fixed schedule that is either (i) specified by the Committee upon the grant of an Award and set forth in the Award Agreement evidencing such Award or (ii) specified by the Participant in an Election complying with the requirements of Section 15.2 or 15.3, as applicable;

(v) A change in the ownership or effective control or the Company or in the ownership of a substantial portion of the assets of the Company determined in accordance with Section 409A; or

(vi) The occurrence of an "unforeseeable emergency" (as defined by Section 409A).

(b) ***Installment Payments***. It is the intent of this Plan that any right of a Participant to receive installment payments (within the meaning of Section 409A) shall, for all purposes of Section 409A, be treated as a right to a series of separate payments.

(c) ***Required Delay in Payment to Specified Employee Pursuant to Separation from Service.*** Notwithstanding any provision of the Plan or an Award Agreement to the contrary, except as otherwise permitted by Section 409A, no payment pursuant to Section 15.4(a)(i) in settlement of an Award providing for Section 409A Deferred Compensation may be made to a Participant who is a "specified employee" (as defined by Section 409A) as of the date of the Participant's separation from service before the date (the "***Delayed Payment Date***") that is six (6) months after the date of such Participant's separation from service, or, if earlier, the date of the Participant's death. All such amounts that would, but for this paragraph, become payable prior to the Delayed Payment Date shall be accumulated and paid on the Delayed Payment Date.

(d) ***Payment Upon Disability.*** All distributions of Section 409A Deferred Compensation payable by reason of a Participant becoming disabled shall be paid in a lump sum or in periodic installments as established by the Participant's Election. If the Participant has made no Election with respect to distributions of Section 409A Deferred Compensation upon becoming disabled, all such distributions shall be paid in a lump sum upon the determination that the Participant has become disabled.

(e) ***Payment Upon Death.*** If a Participant dies before complete distribution of amounts payable upon settlement of an Award subject to Section 409A, such undistributed amounts shall be distributed to his or her beneficiary under the distribution method for death established by the Participant's Election upon receipt by the Committee of satisfactory notice and confirmation of the Participant's death. If the Participant has made no Election with respect to distributions of Section 409A Deferred Compensation upon death, all such distributions shall be paid in a lump sum upon receipt by the Committee of satisfactory notice and confirmation of the Participant's death.

(f) ***Payment Upon Change in Control.*** Notwithstanding any provision of the Plan or an Award Agreement to the contrary, to the extent that any amount constituting Section 409A Deferred Compensation would become payable under this Plan by

reason of a Change in Control, such amount shall become payable only if the event constituting a Change in Control would also constitute a change in ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company within the meaning of Section 409A. Any Award which constitutes Section 409A Deferred Compensation and which would vest and otherwise become payable upon a Change in Control as a result of the failure of the Acquiror to assume, continue or substitute for such Award in accordance with Section 13.1(b) shall vest to the extent provided by such Award but shall be converted automatically at the effective time of such Change in Control into a right to receive, in cash on the date or dates such award would have been settled in accordance with its then existing settlement schedule (or as required by Section 15.4(c)), an amount or amounts equal in the aggregate to the intrinsic value of the Award at the time of the Change in Control.

(g) ***Payment Upon Unforeseeable Emergency.*** The Committee shall have the authority to provide in the Award Agreement evidencing any Award providing for Section 409A Deferred Compensation for payment in settlement of all or a portion of such Award in the event that a Participant establishes, to the satisfaction of the Committee, the occurrence of an unforeseeable emergency. In such event, the amount(s) distributed with respect to such unforeseeable emergency cannot exceed the amounts reasonably necessary to satisfy the emergency need plus amounts necessary to pay taxes reasonably anticipated as a result of such distribution(s), after taking into account the extent to which such emergency need is or may be relieved through reimbursement or compensation by insurance or otherwise, by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship) or by cessation of deferrals under the Award. All distributions with respect to an unforeseeable emergency shall be made in a lump sum upon the Committee's determination that an unforeseeable emergency has occurred. The Committee's decision with respect to whether an unforeseeable emergency has occurred and the manner in which, if at all, the payment in settlement of an Award shall be altered or modified, shall be final, conclusive, and not subject to approval or appeal.

(h) ***Prohibition of Acceleration of Payments.*** Notwithstanding any provision of the Plan or an Award Agreement to the contrary, this Plan does not permit the acceleration of the time or schedule of any payment under an Award providing Section 409A Deferred Compensation, except as permitted by Section 409A.

(i) ***No Representation Regarding Section 409A Compliance***. Notwithstanding any other provision of the Plan, the Company makes no representation that Awards shall be exempt from or comply with Section 409A. No Participating Company shall be liable for any tax, penalty or interest imposed on a Participant by Section 409A.

16. **TAX WITHHOLDING.**

16.1 **Tax Withholding in General.** The Company shall have the right to deduct from any and all payments made under the Plan, or to require the Participant, through payroll withholding, cash payment or otherwise, to make adequate provision for, the federal, state, local and foreign taxes (including social insurance), if any, required by law to be withheld by any Participating Company with respect to an Award or the shares acquired pursuant thereto. The Company shall have no obligation to deliver shares of Stock, to release shares of Stock from

an escrow established pursuant to an Award Agreement, or to make any payment in cash under the Plan until the Participating Company Group's tax withholding obligations have been satisfied by the Participant.

16.2 **Withholding in or Directed Sale of Shares.** The Committee shall have the right, but not the obligation, to cause the Company to deduct from the shares of Stock issuable to a Participant upon the exercise or settlement of an Award, or to accept from the Participant the tender of, a number of whole shares of Stock having a Fair Market Value, as determined by the Committee, equal to all or any part of the tax withholding obligations of any Participating Company (provided such shares of Stock are not pledged or otherwise serve as security and the withholding of which would not trigger adverse accounting treatment). The Fair Market Value of any shares of Stock withheld or tendered to satisfy any such tax withholding obligations shall not exceed the amount determined by the applicable minimum statutory withholding rates. The Committee may require a Participant to direct a broker, upon the vesting, exercise or settlement of an Award, to sell a portion of the shares subject to the Award determined by the Committee in its discretion to be sufficient to cover the tax withholding obligations of any Participating Company and to remit an amount equal to such tax withholding obligations to such Participating Company in cash.

17. **Amendment, Suspension or Termination of Plan.**

The Committee may amend, suspend or terminate the Plan at any time. However, without the approval of the Company's stockholders, there shall be (a) no increase in the maximum aggregate number of shares of Stock that may be issued under the Plan (except by operation of the provisions of Section 4.5), (b) no change in the class of persons eligible to receive Incentive Stock Options, and (c) no other amendment of the Plan that would require approval of the Company's stockholders under any applicable law, regulation or rule, including the rules of any stock exchange or quotation system upon which the Stock may then be listed or quoted. No amendment, suspension or termination of the Plan shall affect any then outstanding Award unless expressly provided by the Committee. Except as provided by the next sentence, no amendment, suspension or termination of the Plan may have a materially adverse effect on any then outstanding Award without the consent of the Participant. Notwithstanding any other provision of the Plan to the contrary, the Committee may, in its sole and absolute discretion and without the consent of any Participant, amend the Plan or any Award Agreement, to take effect retroactively or otherwise, as it deems necessary or advisable for the purpose of conforming the Plan or such Award Agreement to any present or future law, regulation or rule applicable to the Plan, including, but not limited to, Section 409A.

18. **Miscellaneous Provisions.**

18.1 **Repurchase Rights.** Shares issued under the Plan may be subject to one or more repurchase options, or other conditions and restrictions as determined by the Committee in its discretion at the time the Award is granted. The Company shall have the right to assign at any time any repurchase right it may have, whether or not such right is then exercisable, to one or more persons as may be selected by the Company. Upon request by the Company, each Participant shall execute any agreement evidencing such transfer restrictions prior to the receipt of shares of Stock hereunder and shall promptly present to the Company any and all certificates

representing shares of Stock acquired hereunder for the placement on such certificates of appropriate legends evidencing any such transfer restrictions.

18.2 **Forfeiture Events.**

(a) The Committee may specify in an Award Agreement that the Participant's rights, payments, and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events may include, but shall not be limited to, termination of Service for Cause or any act by a Participant, whether before or after termination of Service, that would constitute Cause for termination of Service.

(b) If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under the securities laws, any Participant who knowingly or through gross negligence engaged in the misconduct, or who knowingly or through gross negligence failed to prevent the misconduct, and any Participant who is one of the individuals subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002, shall reimburse the Company for (i) the amount of any payment in settlement of an Award received by such Participant during the twelve- (12-) month period following the first public issuance or filing with the United States Securities and Exchange Commission (whichever first occurred) of the financial document embodying such financial reporting requirement, and (ii) any profits realized by such Participant from the sale of securities of the Company during such twelve- (12-) month period.

18.3 **Provision of Information.** Each Participant shall be given access to information concerning the Company equivalent to that information generally made available to the Company's common stockholders.

18.4 **Rights as Employee, Consultant or Director.** No person, even though eligible pursuant to Section 5, shall have a right to be selected as a Participant, or, having been so selected, to be selected again as a Participant. Nothing in the Plan or any Award granted under the Plan shall confer on any Participant a right to remain an Employee, Consultant or Director or interfere with or limit in any way any right of a Participating Company to terminate the Participant's Service at any time. To the extent that an Employee of a Participating Company other than the Company receives an Award under the Plan, that Award shall in no event be understood or interpreted to mean that the Company is the Employee's employer or that the Employee has an employment relationship with the Company.

18.5 **Rights as a Stockholder.** A Participant shall have no rights as a stockholder with respect to any shares covered by an Award until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such shares are issued, except as provided in Section 4.5 or another provision of the Plan.

18.6 **Delivery of Title to Shares.** Subject to any governing rules or regulations, the Company shall issue or cause to be issued the shares of Stock acquired pursuant to an Award and shall deliver such shares to or for the benefit of the Participant by means of one or more of the following: (a) by delivering to the Participant evidence of book entry shares of Stock credited to the account of the Participant, (b) by depositing such shares of Stock for the benefit of the Participant with any broker with which the Participant has an account relationship, or (c) by delivering such shares of Stock to the Participant in certificate form.

18.7 **Fractional Shares.** The Company shall not be required to issue fractional shares upon the exercise or settlement of any Award.

18.8 **Retirement and Welfare Plans**. Neither Awards made under this Plan nor shares of Stock or cash paid pursuant to such Awards may be included as "compensation" for purposes of computing the benefits payable to any Participant under any Participating Company's retirement plans (both qualified and non-qualified) or welfare benefit plans unless such other plan expressly provides that such compensation shall be taken into account in computing a Participant's benefit.

18.9 **Beneficiary Designation.** Subject to local laws and procedures, each Participant may file with the Company a written designation of a beneficiary who is to receive any benefit under the Plan to which the Participant is entitled in the event of such Participant's death before he or she receives any or all of such benefit. Each designation will revoke all prior designations by the same Participant, shall be in a form prescribed by the Company, and will be effective only when filed by the Participant in writing with the Company during the Participant's lifetime. If a married Participant designates a beneficiary other than the Participant's spouse, the effectiveness of such designation may be subject to the consent of the Participant's spouse. If a Participant dies without an effective designation of a beneficiary who is living at the time of the Participant's death, the Company will pay any remaining unpaid benefits to the Participant's legal representative.

18.10 **Severability**. If any one or more of the provisions (or any part thereof) of this Plan shall be held invalid, illegal or unenforceable in any respect, such provision shall be modified so as to make it valid, legal and enforceable, and the validity, legality and enforceability of the remaining provisions (or any part thereof) of the Plan shall not in any way be affected or impaired thereby.

18.11 **No Constraint on Corporate Action.** Nothing in this Plan shall be construed to: (a) limit, impair, or otherwise affect the Company's or another Participating Company's right or power to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure, or to merge or consolidate, or dissolve, liquidate, sell, or transfer all or any part of its business or assets; or (b) limit the right or power of the Company or another Participating Company to take any action which such entity deems to be necessary or appropriate.

18.12 **Unfunded Obligation.** Participants shall have the status of general unsecured creditors of the Company. Any amounts payable to Participants pursuant to the Plan shall be considered unfunded and unsecured obligations for all purposes, including, without

limitation, Title I of the Employee Retirement Income Security Act of 1974. No Participating Company shall be required to segregate any monies from its general funds, or to create any trusts, or establish any special accounts with respect to such obligations. The Company shall retain at all times beneficial ownership of any investments, including trust investments, which the Company may make to fulfill its payment obligations hereunder. Any investments or the creation or maintenance of any trust or any Participant account shall not create or constitute a trust or fiduciary relationship between the Committee or any Participating Company and a Participant, or otherwise create any vested or beneficial interest in any Participant or the Participant's creditors in any assets of any Participating Company. The Participants shall have no claim against any Participating Company for any changes in the value of any assets which may be invested or reinvested by the Company with respect to the Plan.

18.13 **Choice of Law.** Except to the extent governed by applicable federal law, the validity, interpretation, construction and performance of the Plan and each Award Agreement shall be governed by the laws of the State of California, without regard to its conflict of law rules.

IN WITNESS WHEREOF, the undersigned Secretary of the Company certifies that the foregoing sets forth the MagnaChip Semiconductor Corporation 2010 Equity Incentive Plan as duly adopted by the Board on [•], 2010.

John McFarland, Corporate Secretary

PLAN HISTORY AND NOTES TO COMPANY

[•]	Board of Directors of MagnaChip Semiconductor LLC adopts Plan with a reserve of [•] shares (subject to increases and other adjustments as provided by the Plan), subject to approval by the stockholders of MagnaChip Semiconductor Corporation and to be effective upon the Conversion.
[•]	Effective date of statutory conversion of MagnaChip Semiconductor LLC into the Company.
[•]	Plan approved by the stockholders of the Company.
[•]	Effective date of registration of Stock under Section 12 of the Exchange Act.
[•]	Effective date of initial Form S-8 under the Plan.
IMPORTANT NOTE: At first annual stockholders meeting following close of 3rd calendar year following the calendar year of IPO (unless plan is materially amended at an earlier date), obtain public company stockholder approval of amendment to plan to add Section 162(m) grant limits as described in sample Section 5.4 and to approve the material terms of the performance goals as required by Treas. Reg. 1.162-27(e)(4). See Treas. Reg. 1.162-27(f) (private to public company transition rule).	5.4(c) **Section 162(m) Award Limits.** Subject to adjustment as provided in Section 4.5, no Covered Employee shall be granted within any fiscal year of the Company one or more Awards intended to qualify for treatment as Performance-Based Compensation which in the aggregate are for more than [•] shares or, if applicable, which could result in such Covered Employee receiving more than $[•] for each full fiscal year of the Company contained in the Performance Period for such Award.
IMPORTANT NOTE: IRC 162(m) 5 year reapproval of performance goals	Because the Committee may change the targets under performance goals, Section 162(m) requires stockholder reapproval of the material terms of performance goals no later than the annual meeting in the 5th year following the year in which the public company stockholders initially approved such material terms. See Treas. Reg. 1.162-27(e)(4)(vi).

MAGNACHIP SEMICONDUCTOR CORPORATION

2010 EMPLOYEE STOCK PURCHASE PLAN

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

MagnaChip Semiconductor Corporation
2010 Employee Stock Purchase Plan

1. **Establishment, Purpose and Term of Plan.**

1.1 **Establishment.** The MagnaChip Semiconductor Corporation 2010 Employee Stock Purchase Plan (the "***Plan***") is hereby established effective as of the effective date of the initial registration by the Company of its Stock under Section 12 of the Securities Exchange Act of 1934, as amended (the "***Effective Date***").

1.2 **Purpose.** The purpose of the Plan is to advance the interests of the Company and its stockholders by providing an incentive to attract, retain and reward Eligible Employees of the Participating Company Group and by motivating such persons to contribute to the growth and profitability of the Participating Company Group. The Plan provides such Eligible Employees with an opportunity to acquire a proprietary interest in the Company through the purchase of Stock. The Company intends that the Plan qualify as an "employee stock purchase plan" under Section 423 of the Code (including any amendments or replacements of such section), and the Plan shall be so construed.

1.3 **Term of Plan.** The Plan shall continue in effect until its termination by the Committee.

2. **Definitions and Construction.**

2.1 **Definitions.** Any term not expressly defined in the Plan but defined for purposes of Section 423 of the Code shall have the same definition herein. Whenever used herein, the following terms shall have their respective meanings set forth below:

(a) "***Board***" means the Board of Directors of the Company.

(b) "***Cash Exercise Notice***" means a written notice in such form as specified by the Company which states a Participant's election to exercise, as of the next Purchase Date, a Purchase Right granted to such Participant with respect to a Pre-Registration Offering Period.

(c) "***Change in Control***" means the occurrence of any one or a combination of the following:

(i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as such term is defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the total Fair Market Value or total combined voting power of the Company's then-outstanding securities entitled to vote generally in the election of Directors; provided, however, that a Change in Control shall not be deemed to have occurred if such degree of beneficial ownership results from any of the following: (A) an acquisition by any person who on the Effective Date is the beneficial owner of more than fifty

percent (50%) of such voting power, (B) any acquisition directly from the Company, including, without limitation, pursuant to or in connection with a public offering of securities, (C) any acquisition by the Company, (D) any acquisition by a trustee or other fiduciary under an employee benefit plan of a Participating Company or (E) any acquisition by an entity owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the voting securities of the Company; or

(ii) an Ownership Change Event or series of related Ownership Change Events (collectively, a *"**Transaction**"*) in which the stockholders of the Company immediately before the Transaction do not retain immediately after the Transaction direct or indirect beneficial ownership of more than fifty percent (50%) of the total combined voting power of the outstanding securities entitled to vote generally in the election of Directors or, in the case of an Ownership Change Event described in Section 2.1(q)(iii), the entity to which the assets of the Company were transferred (the *"**Transferee**"*), as the case may be; or

(iii) approval by the stockholders of a plan of complete liquidation or dissolution of the Company;

provided, however, that a Change in Control shall be deemed not to include a transaction described in subsections (i) or (ii) of this Section 2.1(c) in which a majority of the members of the board of directors of the continuing, surviving or successor entity, or parent thereof, immediately after such transaction is comprised of Incumbent Directors.

For purposes of the preceding sentence, indirect beneficial ownership shall include, without limitation, an interest resulting from ownership of the voting securities of one or more corporations or other business entities which own the Company or the Transferee, as the case may be, either directly or through one or more subsidiary corporations or other business entities. The Committee shall determine whether multiple acquisitions of the voting securities of the Company and/or multiple Ownership Change Events are related and to be treated in the aggregate as a single Change in Control, and its determination shall be final, binding and conclusive.

(d) *"**Code**"* means the Internal Revenue Code of 1986, as amended, and any applicable regulations promulgated thereunder.

(e) *"**Committee**"* means the Compensation Committee and such other committee or subcommittee of the Board, if any, duly appointed to administer the Plan and having such powers in each instance as shall be specified by the Board. If, at any time, there is no committee of the Board then authorized or properly constituted to administer the Plan, the Board shall exercise all of the powers of the Committee granted herein, and, in any event, the Board may in its discretion exercise any or all of such powers.

(f) *"**Company**"* means MagnaChip Semiconductor Corporation, a Delaware corporation, or any successor corporation thereto.

(g) *"**Compensation**"* means, with respect to any Offering Period, base wages or salary, overtime, bonuses, commissions, shift differentials, payments for paid time off, payments in lieu of notice, and compensation deferred under any program or plan, including,

without limitation, pursuant to Section 401(k) or Section 125 of the Code. Compensation shall be limited to amounts actually payable in cash or deferred during the Offering Period. Compensation shall not include moving allowances, payments pursuant to a severance agreement, termination pay, relocation payments, sign-on bonuses, any amounts directly or indirectly paid pursuant to the Plan or any other stock purchase, stock option or other stock-based compensation plan, or any other compensation not included above.

(h) "***Eligible Employee***" means an Employee who meets the requirements set forth in Section 5 for eligibility to participate in the Plan.

(i) "***Employee***" means a person treated as an employee of a Participating Company for purposes of Section 423 of the Code. A Participant shall be deemed to have ceased to be an Employee either upon an actual termination of employment or upon the corporation employing the Participant ceasing to be a Participating Company. For purposes of the Plan, an individual shall not be deemed to have ceased to be an Employee while on any military leave, sick leave, or other bona fide leave of absence approved by the Company of ninety (90) days or less. If an individual's leave of absence exceeds ninety (90) days, the individual shall be deemed to have ceased to be an Employee on the ninety-first (91st) day of such leave unless the individual's right to reemployment with the Participating Company Group is guaranteed either by statute or by contract.

(j) "***Fair Market Value***" means, as of any date:

(i) Except as otherwise determined by the Committee, if, on such date, the Stock is listed or quoted on a national or regional securities exchange or quotation system, the closing price of a share of Stock as quoted on the national or regional securities exchange or quotation system constituting the primary market for the Stock, as reported in *The Wall Street Journal* or such other source as the Company deems reliable. If the relevant date does not fall on a day on which the Stock has traded on such securities exchange or quotation system, the date on which the Fair Market Value is established shall be the last day on which the Stock was so traded or quoted prior to the relevant date, or such other appropriate day as determined by the Committee, in its discretion.

(ii) If, on the relevant date, the Stock is not then listed on a national or regional securities exchange or quotation system, the Fair Market Value of a share of Stock shall be as determined in good faith by the Committee.

(iii) Notwithstanding the foregoing, if a Pre-Registration Offering Period commences on the Effective Date, then the Fair Market Value of a share of Stock on such date shall be deemed to be the public offering price set forth in the final prospectus filed with the Securities and Exchange Commission in connection with the Company's initial public offering of the Stock.

(k) "***Incumbent Director***" means a director who either (i) is a member of the Board as of the Effective Date, or (ii) is elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the Incumbent Directors at the time of such

election or nomination (but excluding a director who was elected or nominated in connection with an actual or threatened proxy contest relating to the election of directors of the Company).

(l) "***Non-United States Offering***" means a separate Offering covering Eligible Employees of one or more Participating Companies whose Eligible Employees are subject to a prohibition under applicable law on payroll deductions, as described in Section 11.1(c).

(m) "***Offering***" means an offering of Stock pursuant to the Plan, as provided in Section 6.

(n) "***Offering Date***" means, for any Offering Period, the first day of such Offering Period.

(o) "***Offering Period***" means a period, established by the Committee in accordance with Section 6, during which an Offering is outstanding.

(p) "***Officer***" means any person designated by the Board as an officer of the Company.

(q) "***Ownership Change Event***" means the occurrence of any of the following with respect to the Company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the stockholders of the Company of securities of the Company representing more than fifty percent (50%) of the total combined voting power of the Company's then outstanding securities entitled to vote generally in the election of Directors; (ii) a merger or consolidation in which the Company is a party; or (iii) the sale, exchange, or transfer of all or substantially all of the assets of the Company (other than a sale, exchange or transfer to one or more subsidiaries of the Company).

(r) "***Parent Corporation***" means any present or future "parent corporation" of the Company, as defined in Section 424(e) of the Code.

(s) "***Participant***" means an Eligible Employee who has become a participant in an Offering Period in accordance with Section 7 and remains a participant in accordance with the Plan.

(t) "***Participating Company***" means the Company and any Parent Corporation or Subsidiary Corporation designated by the Committee as a corporation the Employees of which may, if Eligible Employees, participate in the Plan. The Committee shall have the discretion to determine from time to time which Parent Corporations or Subsidiary Corporations shall be Participating Companies.

(u) "***Participating Company Group***" means, at any point in time, the Company and all other corporations collectively which are then Participating Companies.

(v) "***Pre-Registration Offering Period***" means an Offering Period commencing prior to the Registration Date with respect to the shares of Stock issuable pursuant to such Offering Period.

(w) "***Purchase Date***" means, for any Offering Period, the last day of such Offering Period, or, if so determined by the Committee, the last day of each Purchase Period occurring within such Offering Period.

(x) "***Purchase Period***" means a period, established by the Committee in accordance with Section 6, included within an Offering Period and on the final date of which outstanding Purchase Rights are exercised.

(y) "***Purchase Price***" means the price at which a share of Stock may be purchased under the Plan, as determined in accordance with Section 9.

(z) "***Purchase Right***" means an option granted to a Participant pursuant to the Plan to purchase such shares of Stock as provided in Section 8, which the Participant may or may not exercise during the Offering Period in which such option is outstanding. Such option arises from the right of a Participant to withdraw any payroll deductions or other funds accumulated on behalf of the Participant and not previously applied to the purchase of Stock under the Plan, and to terminate participation in the Plan at any time during an Offering Period.

(aa) "***Registration Date***" means the effective date of the registration on Form S-8 of shares of Stock issuable pursuant to the Plan.

(bb) "***Securities Act***" means the Securities Act of 1933, as amended.

(cc) "***Stock***" means the common stock of the Company, as adjusted from time to time in accordance with Section 4.3.

(dd) "***Subscription Agreement***" means a written or electronic agreement, in such form as is specified by the Company, stating an Employee's election to participate in the Plan and authorizing payroll deductions under the Plan from the Employee's Compensation or other method of payment authorized by the Committee pursuant to Section 11.1(c).

(ee) "***Subscription Date***" means the last business day prior to the Offering Date of an Offering Period or such earlier date as the Company shall establish.

(ff) "***Subsidiary Corporation***" means any present or future "subsidiary corporation" of the Company, as defined in Section 424(f) of the Code.

2.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

3. **ADMINISTRATION.**

3.1 **Administration by the Committee.** The Plan shall be administered by the Committee. All questions of interpretation of the Plan, of any form of agreement or other document employed by the Company in the administration of the Plan, or of any Purchase Right shall be determined by the Committee, and such determinations shall be final, binding and conclusive upon all persons having an interest in the Plan or the Purchase Right, unless fraudulent or made in bad faith. Subject to the provisions of the Plan, the Committee shall determine all of the relevant terms and conditions of Purchase Rights; provided, however, that all Participants granted Purchase Rights pursuant to an Offering shall have the same rights and privileges within the meaning of Section 423(b)(5) of the Code. Any and all actions, decisions and determinations taken or made by the Committee in the exercise of its discretion pursuant to the Plan or any agreement thereunder (other than determining questions of interpretation pursuant to the second sentence of this Section 3.1) shall be final, binding and conclusive upon all persons having an interest therein. All expenses reasonably incurred by the Company in the administration of the Plan shall be paid by the Company.

3.2 **Authority of Officers.** Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election that is the responsibility of or that is allocated to the Company herein, provided that the Officer has actual authority with respect to such matter, right, obligation, determination or election.

3.3 **Power to Adopt Sub-Plans or Varying Terms with Respect to Non-U.S. Employees.** The Committee shall have the power, in its discretion, to adopt one or more sub-plans of the Plan as the Committee deems necessary or desirable to comply with the laws or regulations, tax policy, accounting principles or custom of foreign jurisdictions applicable to employees of a subsidiary business entity of the Company, provided that any such sub-plan shall not be within the scope of an "employee stock purchase plan" within the meaning of Section 423 of the Code. Any of the provisions of any such sub-plan may supersede the provisions of this Plan, other than Section 4. Except as superseded by the provisions of a sub-plan, the provisions of this Plan shall govern such sub-plan. Alternatively and in order to comply with the laws of a foreign jurisdiction, the Committee shall have the power, in its discretion, to grant Purchase Rights in an Offering to citizens or residents of a non-U.S. jurisdiction (without regard to whether they are also citizens of the United States or resident aliens) that provide terms which are less favorable than the terms of Purchase Rights granted under the same Offering to Employees resident in the United States.

3.4 **Power to Establish Separate Offerings with Varying Terms.** The Committee shall have the power, in its discretion, to establish separate, simultaneous or overlapping Offerings having different terms and conditions and to designate the Participating Company or Companies that may participate in a particular Offering, provided that each Offering shall individually comply with the terms of the Plan and the requirements of Section 423(b)(5) of the Code that all Participants granted Purchase Rights pursuant to such Offering shall have the same rights and privileges within the meaning of such section.

3.5 **Policies and Procedures Established by the Company.** Without regard to whether any Participant's Purchase Right may be considered adversely affected, the Company

may, from time to time, consistent with the Plan and the requirements of Section 423 of the Code, establish, change or terminate such rules, guidelines, policies, procedures, limitations, or adjustments as deemed advisable by the Company, in its discretion, for the proper administration of the Plan, including, without limitation, (a) a minimum payroll deduction amount required for participation in an Offering, (b) a limitation on the frequency or number of changes permitted in the rate of payroll deduction during an Offering, (c) an exchange ratio applicable to amounts withheld or paid in a currency other than United States dollars, (d) a payroll deduction greater than or less than the amount designated by a Participant in order to adjust for the Company's delay or mistake in processing a Subscription Agreement or in otherwise effecting a Participant's election under the Plan or as advisable to comply with the requirements of Section 423 of the Code, and (e) determination of the date and manner by which the Fair Market Value of a share of Stock is determined for purposes of administration of the Plan. All such actions by the Company shall be taken consistent with the requirements under Section 423(b)(5) of the Code that all Participants granted Purchase Rights pursuant to an Offering shall have the same rights and privileges within the meaning of such section, except as otherwise permitted by Section 3.3 and the regulations under Section 423 of the Code.

3.6 **Indemnification.** In addition to such other rights of indemnification as they may have as members of the Board or the Committee or as officers or employees of the Participating Company Group, to the extent permitted by applicable law, members of the Board or the Committee and any officers or employees of the Participating Company Group to whom authority to act for the Board, the Committee or the Company is delegated shall be indemnified by the Company against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any right granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct in duties; provided, however, that within sixty (60) days after the institution of such action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at its own expense to handle and defend the same.

4. **SHARES SUBJECT TO PLAN.**

4.1 **Maximum Number of Shares Issuable.** Subject to adjustment as provided in Sections 4.2 and 4.3, the maximum aggregate number of shares of Stock that may be issued under the Plan shall be [•][1] and shall consist of authorized but unissued or reacquired shares of Stock, or any combination thereof. If an outstanding Purchase Right for any reason expires or is terminated or canceled, the shares of Stock allocable to the unexercised portion of that Purchase Right shall again be available for issuance under the Plan.

[1] Amount to equal 2% of the number of shares of common stock estimated to be outstanding immediately after completion of the IPO. Number to be determined and inserted prior to approval of plan by Company stockholders.

4.2 **Annual Increase in Maximum Number of Shares Issuable.** Subject to adjustment as provided in Section 4.3, the maximum aggregate number of shares of Stock that may be issued under the Plan as set forth in Section 4.1 shall be cumulatively increased automatically on January 1, 2011 and on each subsequent January 1, through and including January 1, 2020, by a number of shares (the *"**Annual Increase**"*) equal to the smallest of (a) one percent (1.0%) of the number of shares of Stock issued and outstanding on the immediately preceding December 31, (b) [•][2] shares, or (c) an amount determined by the Board.

4.3 **Adjustments for Changes in Capital Structure.** Subject to any required action by the stockholders of the Company and the requirements of Section 424 of the Code to the extent applicable, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Stock (excepting regular, periodic cash dividends) that has a material effect on the Fair Market Value of shares of Stock, appropriate and proportionate adjustments shall be made in the number and kind of shares subject to the Plan, the Annual Increase, the limit on the shares which may be purchased by any Participant during an Offering (as described in Sections 8.1 and 8.2) and each Purchase Right, and in the Purchase Price in order to prevent dilution or enlargement of Participants' rights under the Plan. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." If a majority of the shares which are of the same class as the shares that are subject to outstanding Purchase Rights are exchanged for, converted into, or otherwise become (whether or not pursuant to an Ownership Change Event) shares of another corporation (the *"**New Shares**"*), the Committee may unilaterally amend the outstanding Purchase Rights to provide that such Purchase Rights are for New Shares. In the event of any such amendment, the number of shares subject to, and the exercise price per share of, the outstanding Purchase Rights shall be adjusted in a fair and equitable manner as determined by the Committee, in its discretion. Any fractional share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number, and in no event may the Purchase Price be decreased to an amount less than the par value, if any, of the stock subject to the Purchase Right. The adjustments determined by the Committee pursuant to this Section 4.3 shall be final, binding and conclusive.

5. **ELIGIBILITY.**

5.1 **Employees Eligible to Participate.** Each Employee of a Participating Company is eligible to participate in the Plan and shall be deemed an Eligible Employee, except the following:

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2 Amount to equal 2% of the number of shares of common stock estimated to be outstanding immediately after completion of the IPO. Number to be determined and inserted prior to approval of plan by Company stockholders.

(a) Any Employee who is customarily employed by the Participating Company Group for twenty (20) hours or less per week; or

(b) Any Employee who is customarily employed by the Participating Company Group for not more than five (5) months in any calendar year.

5.2 **Exclusion of Certain Stockholders.** Notwithstanding any provision of the Plan to the contrary, no Employee shall be treated as an Eligible Employee and granted a Purchase Right under the Plan if, immediately after such grant, the Employee would own, or hold options to purchase, stock of the Company or of any Parent Corporation or Subsidiary Corporation possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of such corporation, as determined in accordance with Section 423(b)(3) of the Code. For purposes of this Section 5.2, the attribution rules of Section 424(d) of the Code shall apply in determining the stock ownership of such Employee.

5.3 **Determination by Company.** The Company shall determine in good faith and in the exercise of its discretion whether an individual has become or has ceased to be an Employee or an Eligible Employee and the effective date of such individual's attainment or termination of such status, as the case may be. For purposes of an individual's participation in or other rights, if any, under the Plan as of the time of the Company's determination of whether or not the individual is an Employee, all such determinations by the Company shall be final, binding and conclusive as to such rights, if any, notwithstanding that the Company or any court of law or governmental agency subsequently makes a contrary determination as to such individual's status as an Employee.

6. **OFFERINGS.**

The Plan shall be implemented by sequential Offerings of approximately three (3) months duration or such other duration as the Committee shall determine. Offering Periods shall commence on or about the first trading days of February, May, August and November of each year and end on or about the last trading days of the next April, July, October and January, respectively, occurring thereafter. However, if so determined by the Committee, a Pre-Registration Offering Period shall commence on the Effective Date and end on or about July 31, 2010. Notwithstanding the foregoing, the Committee may establish additional or alternative concurrent, sequential or overlapping Offering Periods, a different duration for one or more Offering Periods or different commencing or ending dates for such Offering Periods; provided, however, that no Offering Period may have a duration exceeding twenty-seven (27) months. If the Committee shall so determine in its discretion, each Offering Period may consist of two (2) or more consecutive Purchase Periods having such duration as the Committee shall specify, and the last day of each such Purchase Period shall be a Purchase Date. If the first or last day of an Offering Period or a Purchase Period is not a day on which the principal stock exchange or quotation system on which the Stock is then listed is open for trading, the Company shall specify the trading day that will be deemed the first or last day, as the case may be, of the Offering Period or Purchase Period.

7. **PARTICIPATION IN THE PLAN.**

7.1 **Initial Participation.**

(a) **Generally.** Except as provided in Section 7.1(b), an Eligible Employee may become a Participant in an Offering Period by delivering a properly completed written or electronic Subscription Agreement to the Company office or representative designated by the Company (including a third-party administrator designated by the Company) not later than the close of business on the Subscription Date established by the Company for that Offering Period. An Eligible Employee who does not deliver a properly completed Subscription Agreement in the manner permitted or required on or before the Subscription Date for an Offering Period shall not participate in the Plan for that Offering Period or for any subsequent Offering Period unless the Eligible Employee subsequently delivers a properly completed Subscription Agreement to the appropriate Company office or representative on or before the Subscription Date for such subsequent Offering Period. An Employee who becomes an Eligible Employee after the Offering Date of an Offering Period shall not be eligible to participate in that Offering Period but may participate in any subsequent Offering Period provided the Employee is still an Eligible Employee as of the Offering Date of such subsequent Offering Period.

(b) **Automatic Participation in Pre-Registration Offering Period.** Notwithstanding Section 7.1(a), each Employee who is an Eligible Employee as of the Offering Date of a Pre-Registration Offering Period shall automatically become a Participant in the Pre-Registration Offering Period and shall be granted automatically a Purchase Right consisting of an option to purchase the lesser of (i) a number of whole shares of Stock determined in accordance with Section 8, or (ii) a number of whole shares of Stock determined by dividing twenty percent (20%) of such Participant's Compensation paid during the Pre-Registration Offering Period by the Purchase Price applicable to the Pre-Registration Offering Period. The Company shall not require or permit any Participant to deliver a Subscription Agreement for participation in the Pre-Registration Offering Period; provided, however, that following the applicable Registration Date a Participant may deliver a Subscription Agreement to the office or representative designated by the Company if the Participant wishes to change the terms of the Participant's participation in the Pre-Registration Offering Period. Such changes may include, for example, an election to commence payroll deductions in accordance with Section 10.

7.2 **Continued Participation.**

(a) **Generally.** Except as provided in Section 7.2(b), a Participant shall automatically participate in the next Offering Period commencing immediately after the final Purchase Date of each Offering Period in which the Participant participates provided that the Participant remains an Eligible Employee on the Offering Date of the new Offering Period and has not either (a) withdrawn from the Plan pursuant to Section 12.1, or (b) terminated employment or otherwise ceased to be an Eligible Employee as provided in Section 13. A Participant who may automatically participate in a subsequent Offering Period, as provided in this Section, is not required to deliver any additional Subscription Agreement for the subsequent Offering Period in order to continue participation in the Plan. However, a Participant may deliver a new Subscription Agreement for a subsequent Offering Period in accordance with the

procedures set forth in Section 7.1(a) if the Participant desires to change any of the elections contained in the Participant's then effective Subscription Agreement.

(b) **Participation Following Pre-Registration Offering Period.** Notwithstanding Section 7.1(a), an Eligible Employee who was automatically enrolled in a Pre-Registration Offering Period and who wishes to participate in an Offering Period which begins after the Pre-Registration Offering Period shall deliver a Subscription Agreement in accordance with Section 7.1(a) no earlier than the applicable Registration Date and no later than the Subscription Date for such Offering Period, unless the Employee delivered a Subscription Agreement with respect to the Pre-Registration Offering Period as provided in Section 7.1(b).

8. **RIGHT TO PURCHASE SHARES.**

8.1 **Grant of Purchase Right.** Except as provided in Section 7.1(b) with respect to a Pre-Registration Offering Period or as otherwise provided below, on the Offering Date of each Offering Period, each Participant in such Offering Period shall be granted automatically a Purchase Right consisting of an option to purchase the lesser of (a) that number of whole shares of Stock determined by dividing the Dollar Limit (determined as provided below) by the Fair Market Value of a share of Stock on such Offering Date or (b) the Share Limit (determined as provided below). The Committee may, in its discretion and prior to the Offering Date of any Offering Period, (i) change the method of, or any of the foregoing factors in, determining the number of shares of Stock subject to Purchase Rights to be granted on such Offering Date, or (ii) specify a maximum aggregate number of shares that may be purchased by all Participants in an Offering or on any Purchase Date within an Offering Period. No Purchase Right shall be granted on an Offering Date to any person who is not, on such Offering Date, an Eligible Employee. For the purposes of this Section, the "***Dollar Limit***" shall be determined by multiplying $2,083.33 by the number of months (rounded to the nearest whole month) in the Offering Period and rounding to the nearest whole dollar, and the "***Share Limit***" shall be determined by multiplying four hundred (400) shares[3] by the number of months (rounded to the nearest whole month) in the Offering Period and rounding to the nearest whole share.

8.2 **Calendar Year Purchase Limitation.** Notwithstanding any provision of the Plan to the contrary, no Participant shall be granted a Purchase Right which permits his or her right to purchase shares of Stock under the Plan to accrue at a rate which, when aggregated with such Participant's rights to purchase shares under all other employee stock purchase plans of a Participating Company intended to meet the requirements of Section 423 of the Code, exceeds Twenty-Five Thousand Dollars ($25,000) in Fair Market Value (or such other limit, if any, as may be imposed by the Code) for each calendar year in which such Purchase Right is outstanding at any time. For purposes of the preceding sentence, the Fair Market Value of shares purchased during a given Offering Period shall be determined as of the Offering Date for such

[3] Determined so that a stock price below approximately $5 per share will not further increase the number of shares a participant may purchase in any offering period, assuming a purchase price equal to 95% of the purchase date stock price.

Offering Period. The limitation described in this Section shall be applied in conformance with Section 423(b)(8) of the Code and the regulations thereunder.

9. **Purchase Price.**

The Purchase Price at which each share of Stock may be acquired in an Offering Period upon the exercise of all or any portion of a Purchase Right shall be established by the Committee; provided, however, that the Purchase Price on each Purchase Date shall not be less than eighty-five percent (85%) of the lesser of (a) the Fair Market Value of a share of Stock on the Offering Date of the Offering Period or (b) the Fair Market Value of a share of Stock on the Purchase Date. Subject to adjustment as provided by the Plan and unless otherwise provided by the Committee, the Purchase Price for each Offering Period shall be ninety-five percent (95%) of the Fair Market Value of a share of Stock on the Purchase Date.

10. **Accumulation of Purchase Price through Payroll Deduction.**

Except as provided in Section 11.1(b) with respect to a Pre-Registration Offering Period and in Section 11.1(c) with respect to a Non-United States Offering, shares of Stock acquired pursuant to the exercise of all or any portion of a Purchase Right may be paid for only by means of payroll deductions from the Participant's Compensation accumulated during the Offering Period for which such Purchase Right was granted, subject to the following:

10.1 **Amount of Payroll Deductions.** Except as otherwise provided herein, the amount to be deducted under the Plan from a Participant's Compensation on each pay day during an Offering Period shall be determined by the Participant's Subscription Agreement. The Subscription Agreement shall set forth the percentage of the Participant's Compensation to be deducted on each pay day during an Offering Period in whole percentages of not less than one percent (1%) (except as a result of an election pursuant to Section 10.3 to stop payroll deductions effective following the first pay day during an Offering) or more than twenty percent (20%). The Committee may change the foregoing limits on payroll deductions effective as of any Offering Date.

10.2 **Commencement of Payroll Deductions.** Payroll deductions shall commence on the first pay day following the Offering Date and shall continue to the end of the Offering Period unless sooner altered or terminated as provided herein; provided, however, that with respect to a Pre-Registration Offering Period, payroll deductions shall commence as soon as practicable following the Company's receipt of the Participant's Subscription Agreement (delivered no earlier than the applicable Registration Date), if any.

10.3 **Election to Decrease or Stop Payroll Deductions.** During an Offering Period, a Participant may elect to decrease the rate of or to stop deductions from his or her Compensation by delivering to the Company office or representative designated by the Company (including a third-party administrator designated by the Company) an amended Subscription Agreement authorizing such change on or before the "Change Notice Date." The "***Change Notice Date***" shall be a date prior to the beginning of the first pay period for which such election is to be effective as established by the Company from time to time and announced to the Participants. A Participant who elects, effective following the first pay day of an Offering

Period, to decrease the rate of his or her payroll deductions to zero percent (0%) shall nevertheless remain a Participant in such Offering Period unless the Participant withdraws from the Plan as provided in Section 12.1.

10.4 **Administrative Suspension of Payroll Deductions.** The Company may, in its discretion, suspend a Participant's payroll deductions under the Plan as the Company deems advisable to avoid accumulating payroll deductions in excess of the amount that could reasonably be anticipated to purchase the maximum number of shares of Stock permitted (a) under the Participant's Purchase Right, or (b) during a calendar year under the limit set forth in Section 8.2. Unless the Participant has either withdrawn from the Plan as provided in Section 12.1 or has ceased to be an Eligible Employee, suspended payroll deductions shall be resumed at the rate specified in the Participant's then effective Subscription Agreement either (i) at the beginning of the next Offering Period if the reason for suspension was clause (a) in the preceding sentence, or (ii) at the beginning of the next Offering Period having a first Purchase Date that falls within the subsequent calendar year if the reason for suspension was clause (b) in the preceding sentence.

10.5 **Participant Accounts.** Individual bookkeeping accounts shall be maintained for each Participant. All payroll deductions from a Participant's Compensation (and other amounts received from the Participant in a Pre-Registration Offering Period pursuant to Section 11.1(b) or a non-United States Participant pursuant to Section 11.1(c)) shall be credited to such Participant's Plan account and shall be deposited with the general funds of the Company. All such amounts received or held by the Company may be used by the Company for any corporate purpose.

10.6 **No Interest Paid.** Interest shall not be paid on sums deducted from a Participant's Compensation pursuant to the Plan or otherwise credited to the Participant's Plan account.

11. **PURCHASE OF SHARES.**

11.1 **Exercise of Purchase Right.**

(a) **Generally.** Except as provided in Section 11.1(b) and Section 11.1(c), on each Purchase Date of an Offering Period, each Participant who has not withdrawn from the Plan and whose participation in the Offering has not otherwise terminated before such Purchase Date shall automatically acquire pursuant to the exercise of the Participant's Purchase Right the number of whole shares of Stock determined by dividing (a) the total amount of the Participant's payroll deductions accumulated in the Participant's Plan account during the Offering Period and not previously applied toward the purchase of Stock by (b) the Purchase Price. However, in no event shall the number of shares purchased by the Participant during an Offering Period exceed the number of shares subject to the Participant's Purchase Right. No shares of Stock shall be purchased on a Purchase Date on behalf of a Participant whose participation in the Offering or the Plan has terminated before such Purchase Date.

(b) **Purchase in Pre-Registration Period.** Notwithstanding Section 11.1(a), on the Purchase Date of a Pre-Registration Offering Period, each Participant who has not withdrawn from the Plan and whose participation in such Offering Period has not otherwise terminated before such Purchase Date shall automatically acquire pursuant to the exercise of the Participant's Purchase Right (i) a number of whole shares of Stock determined in accordance with Section 11.1(a) to the extent of the total amount of the Participant's payroll deductions accumulated in the Participant's Plan account during the Pre-Registration Offering Period, if any, and not previously applied toward the purchase of Stock, and (ii) such additional shares of Stock (not exceeding in the aggregate the Participant's Purchase Right) as determined in accordance with a Cash Exercise Notice delivered to the Company office or representative designated by the Company (including a third-party administrator designated by the Company) no earlier than the applicable Registration Date and not later than the close of business on the business day immediately preceding the Purchase Date or such earlier date as the Company shall establish, accompanied by payment of the Purchase Price for such additional shares in cash or by check. However, in no event shall the aggregate number of shares purchased by a Participant during the Pre-Registration Offering Period exceed the number of shares subject to the Participant's Purchase Right. In addition, if a Participant delivers a Subscription Agreement to the Company after the applicable Registration Date, the Participant may not elect to exercise a Purchase Right pursuant to a Cash Exercise Notice in an amount which, when aggregated with payroll deductions pursuant to such Subscription Agreement, exceeds twenty percent (20%) of the Participant's Compensation during the Pre-Registration Offering Period. The Company shall refund to the Participant in accordance with Section 11.4 any excess Purchase Price payment received from the Participant.

(c) **Purchase by Non-United States Participants for Whom Payroll Deductions Are Prohibited by Applicable Law.** Notwithstanding Section 11.1(a), where payroll deductions on behalf of Participants who are citizens or residents of countries other than the United States (without regard to whether they are also citizens of the United States or resident aliens) are prohibited by applicable law, the Committee may establish a separate Offering (a "***Non-United States Offering***") covering all Eligible Employees of one or more Participating Companies subject to such prohibition on payroll deductions. The Non-United States Offering shall provide another method for payment of the Purchase Price with such terms and conditions as shall be administratively convenient and comply with applicable law. On each Purchase Date of the Offering Period applicable to a Non-United States Offering, each Participant who has not withdrawn from the Plan and whose participation in such Offering Period has not otherwise terminated before such Purchase Date shall automatically acquire pursuant to the exercise of the Participant's Purchase Right a number of whole shares of Stock determined in accordance with Section 11.1(a) to the extent of the total amount of the Participant's Plan account balance accumulated during the Offering Period in accordance with the method established by the Committee and not previously applied toward the purchase of Stock. However, in no event shall the number of shares purchased by a Participant during such Offering Period exceed the number of shares subject to the Participant's Purchase Right. The Company shall refund to a Participant in a Non-United States Offering in accordance with Section 11.4 any excess Purchase Price payment received from such Participant.

11.2 **Pro Rata Allocation of Shares.** If the number of shares of Stock which might be purchased by all Participants on a Purchase Date exceeds the number of shares of Stock

available in the Plan as provided in Section 4.1 or the maximum aggregate number of shares of Stock that may be purchased on such Purchase Date pursuant to a limit established by the Committee pursuant to Section 8.1, the Company shall make a pro rata allocation of the shares available in as uniform a manner as practicable and as the Company determines to be equitable. Any fractional share resulting from such pro rata allocation to any Participant shall be disregarded.

11.3 **Delivery of Title to Shares.** Subject to any governing rules or regulations, as soon as practicable after each Purchase Date, the Company shall issue or cause to be issued to or for the benefit of each Participant the shares of Stock acquired by the Participant on such Purchase Date by means of one or more of the following: (a) by delivering to the Participant evidence of book entry shares of Stock credited to the account of the Participant, (b) by depositing such shares of Stock for the benefit of the Participant with any broker with which the Participant has an account relationship, or (c) by delivering such shares of Stock to the Participant in certificate form.

11.4 **Return of Plan Account Balance.** Any cash balance remaining in a Participant's Plan account following any Purchase Date shall be refunded to the Participant as soon as practicable after such Purchase Date. However, if the cash balance to be returned to a Participant pursuant to the preceding sentence is less than the amount that would have been necessary to purchase an additional whole share of Stock on such Purchase Date, the Company may retain the cash balance in the Participant's Plan account to be applied toward the purchase of shares of Stock in the subsequent Purchase Period or Offering Period.

11.5 **Tax Withholding.** At the time a Participant's Purchase Right is exercised, in whole or in part, or at the time a Participant disposes of some or all of the shares of Stock he or she acquires under the Plan, the Participant shall make adequate provision for the federal, state, local and foreign taxes (including social insurance), if any, required to be withheld by any Participating Company upon exercise of the Purchase Right or upon such disposition of shares, respectively. A Participating Company may, but shall not be obligated to, withhold from the Participant's compensation the amount necessary to meet such withholding obligations.

11.6 **Expiration of Purchase Right.** Any portion of a Participant's Purchase Right remaining unexercised after the end of the Offering Period to which the Purchase Right relates shall expire immediately upon the end of the Offering Period.

11.7 **Provision of Reports and Stockholder Information to Participants.** Each Participant who has exercised all or part of his or her Purchase Right shall receive, as soon as practicable after the Purchase Date, a report of such Participant's Plan account setting forth the total amount credited to his or her Plan account prior to such exercise, the number of shares of Stock purchased, the Purchase Price for such shares, the date of purchase and the cash balance, if any, remaining immediately after such purchase that is to be refunded or retained in the Participant's Plan account pursuant to Section 11.4. The report required by this Section may be delivered in such form and by such means, including by electronic transmission, as the Company may determine. In addition, each Participant shall be provided information concerning the Company equivalent to that information provided generally to the Company's common stockholders.

12. **Withdrawal from Plan .**

12.1 **Voluntary Withdrawal from the Plan.** A Participant may withdraw from the Plan by signing and delivering to the Company office or representative designated by the Company (including a third-party administrator designated by the Company) a written or electronic notice of withdrawal on a form provided by the Company for this purpose. Such withdrawal may be elected at any time prior to the end of an Offering Period; provided, however, that if a Participant withdraws from the Plan after a Purchase Date, the withdrawal shall not affect shares of Stock acquired by the Participant on such Purchase Date. A Participant who voluntarily withdraws from the Plan is prohibited from resuming participation in the Plan in the same Offering from which he or she withdrew, but may participate in any subsequent Offering by again satisfying the requirements of Sections 5 and 7.1. The Company may impose, from time to time, a requirement that the notice of withdrawal from the Plan be on file with the Company office or representative designated by the Company for a reasonable period prior to the effectiveness of the Participant's withdrawal.

12.2 **Return of Plan Account Balance.** Upon a Participant's voluntary withdrawal from the Plan pursuant to Section 12.1, the Participant's accumulated Plan account balance which has not been applied toward the purchase of shares of Stock shall be refunded to the Participant as soon as practicable after the withdrawal, without the payment of any interest, and the Participant's interest in the Plan and the Offering shall terminate. Such amounts to be refunded in accordance with this Section may not be applied to any other Offering under the Plan.

13. **Termination of Employment or Eligibility.**

Upon a Participant's ceasing, prior to a Purchase Date, to be an Employee of the Participating Company Group for any reason, including retirement, disability or death, or upon the failure of a Participant to remain an Eligible Employee, the Participant's participation in the Plan shall terminate immediately. In such event, the Participant's Plan account balance which has not been applied toward the purchase of shares of Stock shall, as soon as practicable, be returned to the Participant or, in the case of the Participant's death, to the Participant's beneficiary designated in accordance with Section 20, if any, or legal representative, and all of the Participant's rights under the Plan shall terminate. Interest shall not be paid on sums returned pursuant to this Section 13. A Participant whose participation has been so terminated may again become eligible to participate in the Plan by satisfying the requirements of Sections 5 and 7.1.

14. **Effect of Change in Control on Purchase Rights.**

In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or parent thereof, as the case may be (the "***Acquiring Corporation***"), may, without the consent of any Participant, assume or continue the Company's rights and obligations under outstanding Purchase Rights or substitute substantially equivalent purchase rights for the Acquiring Corporation's stock. If the Acquiring Corporation elects not to assume, continue or substitute for the outstanding Purchase Rights, the Purchase Date of the then current Offering Period shall be accelerated to a date before the date of the Change in Control specified by the Committee, but the number of shares of Stock subject to outstanding Purchase Rights

shall not be adjusted. All Purchase Rights which are neither assumed or continued by the Acquiring Corporation in connection with the Change in Control nor exercised as of the date of the Change in Control shall terminate and cease to be outstanding effective as of the date of the Change in Control.

15. **Nontransferability of Purchase Rights.**

Neither payroll deductions or other amounts credited to a Participant's Plan account nor a Participant's Purchase Right may be assigned, transferred, pledged or otherwise disposed of in any manner other than as provided by the Plan or by will or the laws of descent and distribution. (A beneficiary designation pursuant to Section 20 shall not be treated as a disposition for this purpose.) Any such attempted assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw from the Plan as provided in Section 12.1. A Purchase Right shall be exercisable during the lifetime of the Participant only by the Participant.

16. **Compliance with Securities Law.**

The issuance of shares under the Plan shall be subject to compliance with all applicable requirements of federal, state and foreign law with respect to such securities. A Purchase Right may not be exercised if the issuance of shares upon such exercise would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any securities exchange or market system upon which the Stock may then be listed. In addition, no Purchase Right may be exercised unless (a) a registration statement under the Securities Act shall at the time of exercise of the Purchase Right be in effect with respect to the shares issuable upon exercise of the Purchase Right, or (b) in the opinion of legal counsel to the Company, the shares issuable upon exercise of the Purchase Right may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares under the Plan shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to the exercise of a Purchase Right, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation, and to make any representation or warranty with respect thereto as may be requested by the Company.

17. **Rights as a Stockholder and Employee.**

A Participant shall have no rights as a stockholder by virtue of the Participant's participation in the Plan until the date of the issuance of the shares of Stock purchased pursuant to the exercise of the Participant's Purchase Right (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such shares are issued, except as provided in Section 4.3. Nothing herein shall confer upon a Participant any right to continue in the employ of the Participating Company Group or interfere

in any way with any right of the Participating Company Group to terminate the Participant's employment at any time.

18. **Notification of Disposition of Shares.**

The Company may require the Participant to give the Company prompt notice of any disposition of shares of Stock acquired by exercise of a Purchase Right. The Company may require that until such time as a Participant disposes of shares of Stock acquired upon exercise of a Purchase Right, the Participant shall hold all such shares in the Participant's name until the later of two years after the date of grant of such Purchase Right or one year after the date of exercise of such Purchase Right. The Company may direct that the certificates evidencing shares of Stock acquired by exercise of a Purchase Right refer to such requirement to give prompt notice of disposition.

19. **Legends.**

The Company may at any time place legends or other identifying symbols referencing any applicable federal, state or foreign securities law restrictions or any provision convenient in the administration of the Plan on some or all of the certificates representing shares of Stock issued under the Plan. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing shares acquired pursuant to a Purchase Right in the possession of the Participant in order to carry out the provisions of this Section. Unless otherwise specified by the Company, legends placed on such certificates may include but shall not be limited to the following:

"THE SHARES EVIDENCED BY THIS CERTIFICATE WERE ISSUED BY THE CORPORATION TO THE REGISTERED HOLDER UPON THE PURCHASE OF SHARES UNDER AN EMPLOYEE STOCK PURCHASE PLAN AS DEFINED IN SECTION 423 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED. THE TRANSFER AGENT FOR THE SHARES EVIDENCED HEREBY SHALL NOTIFY THE CORPORATION IMMEDIATELY OF ANY TRANSFER OF THE SHARES BY THE REGISTERED HOLDER HEREOF. THE REGISTERED HOLDER SHALL HOLD ALL SHARES PURCHASED UNDER THE PLAN IN THE REGISTERED HOLDER'S NAME (AND NOT IN THE NAME OF ANY NOMINEE)."

20. **Designation of Beneficiary.**

20.1 **Designation Procedure.** Subject to local laws and procedures, a Participant may file a written designation of a beneficiary who is to receive (a) shares and cash, if any, from the Participant's Plan account if the Participant dies subsequent to a Purchase Date but prior to delivery to the Participant of such shares and cash, or (b) cash, if any, from the Participant's Plan account if the Participant dies prior to the exercise of the Participant's Purchase Right. If a married Participant designates a beneficiary other than the Participant's spouse, the effectiveness of such designation may be subject to the consent of the Participant's spouse. A Participant may change his or her beneficiary designation at any time by written notice to the Company.

20.2 **Absence of Beneficiary Designation.** If a Participant dies without an effective designation pursuant to Section 20.1 of a beneficiary who is living at the time of the Participant's death, the Company shall deliver any shares or cash credited to the Participant's Plan account to the Participant's legal representative or as otherwise required by applicable law.

21. **NOTICES.**

All notices or other communications by a Participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

22. **AMENDMENT OR TERMINATION OF THE PLAN.**

The Committee may at any time amend, suspend or terminate the Plan, except that (a) no such amendment, suspension or termination shall affect Purchase Rights previously granted under the Plan unless expressly provided by the Committee, and (b) no such amendment, suspension or termination may adversely affect a Purchase Right previously granted under the Plan without the consent of the Participant, except to the extent permitted by the Plan or as may be necessary to qualify the Plan as an employee stock purchase plan pursuant to Section 423 of the Code or to comply with any applicable law, regulation or rule. In addition, an amendment to the Plan must be approved by the stockholders of the Company within twelve (12) months of the adoption of such amendment if such amendment would authorize the sale of more shares than are then authorized for issuance under the Plan or would change the definition of the corporations that may be designated by the Committee as Participating Companies. Notwithstanding the foregoing, in the event that the Committee determines that continuation of the Plan or an Offering would result in unfavorable financial accounting consequences to the Company, the Committee may, in its discretion and without the consent of any Participant, including with respect to an Offering Period then in progress: (i) terminate the Plan or any Offering Period, (ii) accelerate the Purchase Date of any Offering Period, (iii) reduce the discount or the method of determining the Purchase Price in any Offering Period (e.g., by determining the Purchase Price solely on the basis of the Fair Market Value on the Purchase Date), (iv) reduce the maximum number of shares of Stock that may be purchased in any Offering Period, or (v) take any combination of the foregoing actions.

IN WITNESS WHEREOF, the undersigned Secretary of the Company certifies that the foregoing sets forth the MagnaChip Semiconductor Corporation 2010 Employee Stock Purchase Plan as duly adopted by the Board on [•], 2010.

John McFarland, Corporate Secretary

PLAN HISTORY

[•] Board of Directors of MagnaChip Semiconductor LLC adopts Plan with a reserve of [•] shares (subject to increases and other adjustments as provided by the Plan), subject to approval by the stockholders of MagnaChip Semiconductor Corporation following the Conversion and to be effective upon the registration of the Company's common stock under Section 12 of the Exchange Act.

[•] Effective date of statutory conversion of MagnaChip Semiconductor LLC into the Company.

[•] Plan approved by the stockholders of MagnaChip Semiconductor Corporation.

[•] Effective date of registration of Stock under Section 12 of the Exchange Act.

[•] Date on which Pre-Registration Offering Period commenced.

[•] Registration Date (date on which initial Form S-8 registration is effective).

APPENDIX A

Participating Companies

MagnaChip Semiconductor Corporation
MagnaChip Semiconductor S.A.
MagnaChip Semiconductor B.V.
MagnaChip Semiconductor, Ltd.
MagnaChip Semiconductor, Inc.
MagnaChip Semiconductor SA Holdings LLC
MagnaChip Semiconductor Finance Company
MagnaChip Semiconductor Limited
MagnaChip Semiconductor Limited
MagnaChip Semiconductor Limited
MagnaChip Semiconductor Inc.
MagnaChip Semiconductor Holding Company Limited
MagnaChip Semiconductor (Shanghai) Company Limited

APPENDIX B

FORMS OF

ENROLLMENT/CHANGE NOTICE/WITHDRAWAL FORM
AND
SUBSCRIPTION AGREEMENT

AMENDED AND RESTATED
SERVICE AGREEMENT

THIS AMENDED AND RESTATED SERVICE AGREEMENT (the "Agreement") is dated as of this 8th day of May 2008 (the "Effective Date") by and between MagnaChip Semiconductor, Ltd., a Korean yuhan hoesa (the "Company"), and Sang Park, an individual (the "Officer").

W I T N E S S E T H:

WHEREAS, the Company and the Officer entered into a Service Agreement, dated as of the 27th day of May 2006 (the "Original Agreement"), pursuant to which the Officer was employed by the Company as its President and Chief Executive Officer and is currently employed as its Chairman of the Board of Directors and Chief Executive Officer; and

WHEREAS, the Company desires to continue to have the benefits of the Officer's knowledge and experience as a full-time officer and to employ the Officer in the manner hereinafter specified and to make provision for payment of reasonable compensation to the Officer for such services, and the Officer is willing to continue to be employed by the Company to perform the duties incident to such employment upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the foregoing premises, the mutual covenants, terms and conditions set forth herein, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby amend and restate the Original Agreement as this Amended and Restated Service Agreement as follows:

1. EFFECTIVENESS OF THIS AGREEMENT

This Agreement shall constitute a binding obligation of the Officer and the Company upon the execution of this Agreement.

2. EMPLOYMENT AND DUTIES

(a) General. Effective as of the date of the Original Agreement (the "Original Effective Date"), on the terms and conditions set forth herein, the Company has employed the Officer as President and Chief Executive Officer of the Company, and the Company currently employs the Officer as its Chief Executive Officer and Chairman. From the Effective Date, the Company shall hereby employ the Officer as the Chairman of the Board of Directors and Chief Executive Officer of the Company, and the Officer agrees upon the terms and conditions herein set forth to be employed by the Company. The Officer has been appointed as a member of the Board of Directors of the Company (the "Board") and from the Effective Date, the Company agrees that the Officer shall continue to serve as a member of the Board and that, for so long as the Officer is employed by the Company, the Company shall nominate the Officer to serve as a director at each annual stockholder meeting; provided that, if the Company has a class of equity securities registered pursuant to the Securities Exchange Act of 1934, as amended, the Company shall not be obligated to nominate the Officer to serve as a director if the Officer has previously been nominated as a director at an annual or special stockholder meeting and the stockholders holding a majority of the voting power of the Company at such meeting shall not have voted to elect the Officer. The Officer agrees that upon the termination of his employment as President and Chief Executive Officer of the Company, he shall resign from the Board and from all other Boards of Directors of the Company's affiliates of which he is a member. The Officer shall diligently perform such duties and have such responsibilities as the Board may establish from time to time, and the Officer shall report to the Board.

(b) Term. Unless terminated at an earlier date in accordance with Section 4 hereof, the term of the Officer's employment with the Company under the Original Agreement and continuing under this Agreement shall be for a term commencing on the Original Effective Date and ending on the second anniversary of the Original Effective Date (the "Initial Term"). Thereafter, unless terminated at an earlier date in accordance with Section 4 hereof, the Initial Term and each Additional Term shall be automatically extended for successive two-year periods (each, an "Additional Term"), in each case, commencing upon the expiration of the Initial Term or the then current Additional Term, unless at least 90 days prior to the expiration of such term, either party gives written notice to the other party of its intention not to extend the term of the Officer's employment. The Company's delivery of a notice of its intention not to extend the term of the Officer's employment shall not be deemed to be an Involuntary Termination (as defined below).

(c) Services. The Officer shall well and faithfully serve the Company, and shall devote all of his business time and attention to the performance of the duties of such employment and the advancement of the best interests of the Company and shall not, directly or indirectly, render services to any other person or organization for which the Officer receives compensation without the prior written approval of the Company. The Officer hereby agrees to refrain from engaging in any activity that does, shall or could reasonably be deemed to conflict with the best interests of the Company. The Officer shall be entitled to serve on a maximum of two other company boards of directors, provided those companies are not competitors of the Company and the Company shall make reasonable accommodation for travel and service in connection with these outside boards of directors.

3. COMPENSATION AND OTHER BENEFITS

Subject to the provisions of this Agreement, including, without limitation, the termination provisions contained in Section 4, the Company shall pay and provide the following compensation and other benefits to the Officer as compensation for all services rendered hereunder:

(a) Salary. The Company shall pay the Officer a base salary at the rate of US$450,000.00 per annum (the "Salary"), payable to the Officer in accordance with the standard payroll practices of the Company as are in effect from time to time, less all such deductions or withholdings required by applicable law. Annual increases in the Salary will be determined by the compensation committee of the Board (the "Committee") in accordance with the Committee's policies and procedures.

(b) Bonuses.

(i) *Annual Incentive.* The Officer shall be eligible to earn an annual cash bonus (the "Annual Incentive"). The Annual Incentive shall be 100% of the Officer's Salary. The Officer's Annual Incentive shall be payable upon achievement of performance goals set by the Committee, after consultation with the Officer, and ratified by the Board. The actual bonus paid may be higher or lower than the Annual Incentive for over- or under-achievement of the Officer's performance goals, as determined by the Committee. Any Annual Incentive earned by the Officer shall be shall be paid in accordance with the terms of the applicable plans and policies of the Company following the determination by the Committee of the extent of achievement of the applicable performance goals, but in any event no earlier than January 1 or later than March 15 of the year following the applicable plan year. The amount of the Annual Incentive in respect of the 2006 plan year shall be pro-rated to reflect the number of days the Officer was actually employed with the Company during the 2006 plan year following the Effective Date.

(ii) *Performance Bonus*. The Officer shall be paid an additional, one-time cash bonus (the "Performance Bonus") in an amount equal to US$900,000 on the earlier of (A) June 30, 2009 or (B) the date (but not before January 1, 2009) which is six months after a closing of

the first to occur of a "Change of Control" or the Company's "First Public Offering" (as such terms are defined in that certain Second Amended and Restated Securityholders' Agreement dated as of October 6, 2004, among MagnaChip Semiconductor LLC and the other signatories thereto, as amended from time to time), provided the Officer remains in continuous employment with the Company through the applicable date.

(c) Benefits. The Officer shall be eligible to participate in or purchase as necessary and be reimbursed for medical, disability and life insurance plans and to receive other benefits applicable to senior officers of the Company generally in accordance with the terms of such plans as are in effect from time to time. In addition, the Company shall pay for the cost of housing accommodations and expenses related thereto in accordance with the policies currently applicable to senior executive officers of the Company and as set forth on Schedule A attached hereto (the "Housing Accommodation"), and except as otherwise provided in Section 4, during the term of this Agreement, the Officer shall be entitled to the expatriate, repatriation, and international service benefits that are described in Schedule A. Any reimbursement or in-kind benefit the Officer is entitled to receive pursuant to Schedule A shall (A) be paid no later than the last day of the Officer's taxable year following the taxable year in which the expense was incurred, (B) not be affected by the amount of expenses eligible for reimbursement or in-kind benefits provided in any other taxable year, and (C) not be subject to liquidation or exchange for another benefit.

(d) Expenses. The Company shall pay or reimburse the Officer for all reasonable out-of-pocket expenses incurred by the Officer in connection with his employment hereunder upon submission of appropriate documentation or receipts in accordance with the policies and procedures of the Company as are in effect from time to time. Any reimbursement or expense payment the Officer is entitled to receive pursuant to this Section 3(d) shall (i) be paid no later than the last day of the Officer's taxable year following the taxable year in which the expense was incurred, (ii) not be affected by the amount of expenses eligible for reimbursement or payment in any other taxable year and (iii) not be subject to liquidation or exchange for another benefit.

(e) Vacation. The Officer shall be entitled to annual vacation of three calendar weeks per year.

(f) Equity.

(i) Upon the Effective Date, the Officer shall be granted options to purchase 800,000 restricted Common Units (the "Options") of MagnaChip Semiconductor LLC, a Delaware limited liability company ("MagnaChip LLC"), at a purchase price equal to US$1.02 per Common Unit. The Options, and the restricted Common Units issued upon the exercise of the Options (the "Restricted Units"), shall be subject to restrictions contained in the MagnaChip Semiconductor LLC California Equity Incentive Plan (as the same may be amended from time to time, the "Incentive Plan").

(ii) The Options and the Restricted Units shall be subject to forfeiture or to repurchase by the Company upon the Officer's termination of service in accordance with the terms of the Incentive Plan, but, generally, upon the Officer's termination of service (other than for Cause) (1) unvested Options shall be subject to repurchase by the Company at a repurchase price of US$1.02 per Option and (2) vested Options and Restricted Units shall be subject to repurchase by the Company at a repurchase price equal to fair market value, as determined by the Board of Directors of MagnaChip LLC in good faith at the time of the repurchase. Upon a termination of service for Cause, the unvested and vested Options and Restricted Units shall be subject to repurchase by the Company at a repurchase price of US$1.02 per Option or Restricted Unit, as the case may be. The Options shall vest in accordance with the schedule set forth in the Incentive Plan, but generally 25% of the Options shall be scheduled to vest on the first anniversary of the date hereof and an additional 6.25% of the Options shall be scheduled to vest each calendar quarter thereafter. On any scheduled vesting date, the Options shall vest only if the Officer is still employed by the Company (except as otherwise provided in this Agreement).

4. TERMINATION OF EMPLOYMENT

Subject to the notice and other provisions of this Section 4, the Company shall have the right to terminate the Officer's employment hereunder, at any time for any reason or for no stated reason, and the Officer shall have the right to resign, at any time for any reason or for no stated reason.

(a) Termination for Cause or Resignation.

(i) If, prior to the expiration of the Initial Term or any Additional Term, the Officer's employment is terminated by the Company for "Cause" (as hereinafter defined) or if the Officer resigns for any reason other than Good Reason (as hereinafter defined) from his employment hereunder, the Officer shall be paid all accrued but unpaid Salary, vacation, expense reimbursements, and other benefits due to the Officer through his termination date under any Company-provided or paid plans, policies and arrangements, in accordance with their terms. Except to the extent required by the terms of the benefits provided under Section 3(f) or applicable law, the Officer shall have no right under this Agreement or otherwise to receive any other compensation or to participate in any other plan, program or arrangement after such termination or resignation of employment with respect to the year of such termination or resignation and later years. The treatment of any outstanding Options held by the Officer as of the date of the termination shall be governed by the agreements and equity incentive plans pursuant to which the Options were granted.

(ii) Termination for "Cause" shall mean a termination of the Officer's employment with the Company because of (A) a failure by the Officer to substantially perform the Officer's customary duties with the Company in the ordinary course (other than such failure resulting from the Officer's incapacity due to physical or mental illness or any such actual or anticipated failure after the Officer provides written notification to the Company of resignation of employment for Good Reason under this Agreement) that, if susceptible to cure, has not been cured as determined by the Company within 30 days after a written demand for substantial performance is delivered to the Officer by the Company, which demand specifically identifies the manner in which the Company believes that the Officer has not substantially performed the Officer's duties; (B) the Officer's gross negligence, intentional misconduct or material fraud in the performance of his employment; (C) the Officer's conviction of, or plea of nolo contendere to, a felony or to a crime involving fraud or dishonesty; (D) a judicial determination that the Officer committed fraud or dishonesty against any natural person, firm, partnership, limited liability company, association, corporation, company, trust, business trust, governmental authority or other entity (each, a "Person"); or (E) the Officer's material violation of this Agreement or of one or more of the Company's material policies applicable to the Officer's employment as may be in effect from time to time.

(iii) Termination of the Officer's employment for Cause shall be communicated by delivery to the Officer of a written notice from the Company stating that the Officer will be terminated for Cause, specifying the particulars thereof and the effective date of such termination. The date of a resignation other than for Good Reason by the Officer shall be the date specified in a written notice of resignation from the Officer to the Company provided that the Officer shall provide at least 30 days' advance written notice of his resignation other than for Good Reason.

(b) Involuntary Termination.

(i) If, prior to the expiration of the Initial Term or any Additional Term, the Company terminates the Officer's employment for any reason other than Disability, death or Cause or if the Officer resigns from his employment for Good Reason (such termination or resignation being hereinafter referred to as an "Involuntary Termination"), the Officer shall be entitled to (A) payment of his Salary and vacation accrued up to and including the date of the Involuntary Termination, (B) payment of any unreimbursed expenses and (C) severance (the "Severance"), consisting of the following:

If the Involuntary Termination is not in connection with a Change of Control then:

(1) Provided that the Officer has not become entitled to the Performance Bonus on or prior to the date of the Involuntary Termination, the Company shall pay to the Officer an amount equal to twelve months of Salary at the monthly rate in effect on the date of the Involuntary Termination. Such amount shall be paid over a period of twelve months, which, subject to Section 4(f), shall be payable to the Officer in accordance with the Company's normal payroll schedule as in effect on the date of the Involuntary Termination, commencing with the first payroll date occurring at least thirty (30) days following the date of the Involuntary Termination. The Company and the Officer agree that for purposes of Section 409A of the Code, the payments pursuant to this Section shall be treated as a right to a series of separate payments.

(2) The Company shall pay to the Officer the Annual Incentive for the year in which the Involuntary Termination occurs. Such amount shall be paid in accordance with the terms of the applicable plans and policies of the Company following the determination by the Committee of the extent of achievement of the applicable performance objectives, but in any event no earlier than January 1 or later than March 15 of the year following the applicable plan year.

(3) The Officer shall receive 12 months' accelerated vesting with respect to the Officer's outstanding equity awards and a 12-month post-termination equity award exercise period.

(4) The Company shall continue to provide the "Enumerated Benefits" to the Officer and his eligible dependents for a period of twelve (12) months commencing on the date of the Involuntary Termination. To the extent that all or any portion of the Company's payment of the cost of the Enumerated Benefits would be for a type of benefit or exceed an amount for which, or continue for a period of time in excess of which, such Enumerated Benefits would qualify for an exemption from treatment as a deferral of compensation within the meaning of the Treasury Regulations issued pursuant to Section 409A of the Internal Revenue Code (the "Section 409A Regulations"), the Company shall, for the duration of the twelve month period, pay for the Enumerated Benefits in an amount not to exceed US$600,000 per calendar year or any portion thereof. The amount of the Enumerate Benefits furnished in any taxable year of the Officer shall not affect the amount of Enumerated Benefits furnished by the Company in any other taxable year of the Officer. Any right of the Officer to Enumerated Benefits shall not be subject to liquidation or exchange for another benefit. Any reimbursement for Enumerated Benefits to which the Officer is entitled shall be paid no later than the last day of the Officer's taxable year following the taxable year in which the Officer's expense for the Enumerated Benefits was incurred. The "Enumerated Benefits" shall consist of medical benefits, tax equalization (taking into account only U.S. federal taxes), tax preparation services, international health insurance, home leave flights, company-paid housing and a driver.

If the Involuntary Termination is in connection with a Change of Control then:

(1) Provided that the Officer has not become entitled to the Performance Bonus on or prior to the date of the Involuntary Termination, the Company shall pay

to the Officer an amount equal to twenty-four months of Salary at the monthly rate in effect on the date of the Involuntary Termination. Such amount shall be paid over a period of twenty-four months, which, subject to Section 4(f), shall be payable to the Officer in accordance with the Company's normal payroll schedule as in effect on the date of the Involuntary Termination, commencing with the first payroll date occurring at least thirty (30) days following the date of the Involuntary Termination. The Company and the Officer agree that for purposes of Section 409A of the Code, the payments pursuant to this Section shall be treated as a right to a series of separate payments.

(2) The Company shall pay to the Officer the Annual Incentive for the year in which the Involuntary Termination occurs. Such amount shall be paid in accordance with the terms of the applicable plans and policies of the Company following the determination by the Committee of the extent of achievement of the applicable performance objectives, but in any event no earlier than January 1 or later than March 15 of the year following the applicable plan year.

(3) The Officer shall receive 24 months' accelerated vesting with respect to the Officer's outstanding equity awards and a 12 month post-termination equity award exercise period.

(4) The Company shall continue to provide the Enumerated Benefits to the Officer and his eligible dependents for a period of twenty-four (24) months commencing on the date of the Involuntary Termination. To the extent that all or any portion of the Company's payment of the cost of the Enumerated Benefits would be for a type of benefit or exceed an amount for which, or continue for a period of time in excess of which, such Enumerated Benefits would qualify for an exemption from treatment as a deferral of compensation within the meaning of the Section 409A Regulations, the Company shall, for the duration of the twenty-four month period, pay for the Enumerated Benefits in an amount not to exceed US$600,000 per calendar year or any portion thereof. The amount of the Enumerate Benefits furnished in any taxable year of the Officer shall not affect the amount of Enumerated Benefits furnished by the Company in any other taxable year of the Officer. Any right of the Officer to Enumerated Benefits shall not be subject to liquidation or exchange for another benefit. Any reimbursement for Enumerated Benefits to which the Officer is entitled shall be paid no later than the last day of the Officer's taxable year following the taxable year in which the Officer's expense for the Enumerated Benefits was incurred.

The Severance payable to the Officer pursuant to this section shall be reduced to the extent that the Company makes any severance payments pursuant to the Korean Commercial Code or any other statute.

Without the prior consent of the Officer, neither the Company nor any affiliate shall enter into a severance arrangement with any other officer of the Company that provides such officer with severance payments and/or benefits greater than those to which the Officer is entitled pursuant to this Agreement. In addition, if the Company or any affiliate already has entered into such a severance arrangement, the Officer shall be entitled to receive equivalent severance payments and benefits.

For purposes of this Section 4(b)(i), an Involuntary Termination is "in connection with a Change of Control" if the date of the Involuntary Termination (or, if applicable, the commencement of the cure period that leads to the Involuntary Termination) is within nine months following a Change of Control.

(ii) Resignation for "Good Reason" shall mean resignation by the Officer because of, unless the Officer otherwise consents in writing, one or more of the following circumstances if and only if the Officer informs the Company in writing within 30 days following its initial occurrence that one or more of such circumstances has occurred and such circumstances have not, if susceptible to cure, been cured as determined by the Company within 30 days after a written demand for substantial performance is delivered to the Company by the Officer, which demand specifically identifies the manner in which the Officer believes that the Company has not performed its obligations:

(1) a reduction in the Officer's base Salary or Annual Incentive target other than a one-time reduction of not more than 10% that also is applied to substantially all of the other Company executive officers;

(2) a material reduction in the kind or level of benefits and perquisites (including office space and location) that the Officer is eligible to receive other than a reduction that also is applied to substantially all other Company executive officers;

(3) failure to provide, or any reduction in, the Housing Accommodation;

(4) the nature or status of the Officer's authorities, duties or responsibilities has been materially and adversely altered;

(5) the Company fails to initially appoint or, subject to the proviso contained in Section 2(a), subsequently nominate the Officer to serve as a director as required by this Agreement;

(6) the members of MagnaChip LLC have removed the Officer from the Board of Directors of MagnaChip LLC, unless the Officer shall have been removed for "cause" (as such term is defined in the Second Amended and Restated Securityholders Agreement, dated October 6, 2004, among MagnaChip LLC and the members of MagnaChip LLC); or

(7) the Officer has not been appointed chief executive officer of MagnaChip LLC or any other affiliate of the Company immediately following an initial public offering of the equity securities of such entity.

(iii) Resignation for Good Reason shall be communicated by delivery to the Company of a written notice from the Officer stating that the Officer will be resigning for Good Reason, specifying the particulars thereof and the effective date of such resignation, which shall be a date no later than six months after the first occurrence of the circumstance(s) constituting Good Reason. If the Officer provides such written notice to the Company, the Company shall have 30 days from the date of receipt of such notice to effect a cure of the material breach described therein and, upon cure thereof by the Company, such material breach shall no longer constitute Good Reason for purposes of this Agreement.

(iv) The date of termination of employment without Cause shall be the date specified in a written notice of termination to the Officer. The date of resignation for Good Reason shall be the date specified in a written notice of resignation from the Officer to the Company; provided, however, that no such written notice shall be effective unless the cure period specified in Section 4(b)(ii) above has expired without the Company having corrected the event or events subject to cure.

(c) Termination Due to Disability. In the event of the Officer's Disability, the Company shall be entitled to terminate his employment. In the case that the Company terminates the Officer's employment due to Disability, the Officer shall be entitled to (i) payment of his Salary and

accrued vacation up to and including the date of termination, (ii) payment of any unpaid expense reimbursements, (iii) payment of the Annual Incentive, in a prorated amount based on the number of days the Officer was actually employed during the applicable plan year, based on actual performance objectives satisfied by the Company, and payable in a lump sum payment in accordance with the terms of the applicable plans and policies of the Company following the determination by the Committee of the extent of achievement of the applicable performance objectives, but in any event, no earlier than January 1 or later than Marcy 15 of the year following the applicable plan year, and (iv) other benefits due to the Officer through his termination date under any Company-provided or paid plans, policies and arrangements, in accordance with their terms. As used herein, the term "Disability" shall mean that the Company determines that due to physical or mental illness or incapacity, whether total or partial, the Officer is substantially unable to perform his duties hereunder for a period of 180 consecutive days or shorter periods aggregating 180 days during any period of 365 consecutive days. The Officer shall permit a licensed physician agreed to by the Company and the Officer (or, in the event that the Company and the Officer cannot agree, by a licensed physician agreed upon by a physician selected by the Company and a physician selected by the Officer) to examine the Officer from time to time prior to the Officer's being determined to be Disabled, as reasonably requested by the Company, to determine whether the Officer has suffered a Disability hereunder.

(d) Death. In the event of the Officer's death while employed by the Company, the Officer's estate or named beneficiary shall be entitled to (i) payment of his Salary and accrued vacation up to and including the date of termination (ii) payment of any unpaid expense reimbursements, (iii) payment of the Annual Incentive, in a prorated amount based on the number of days the Officer was actually employed during the applicable plan year, based on actual performance objectives satisfied by the Company, and payable in a lump sum payment in accordance with the terms of the applicable plans and policies of the Company following the determination by the Committee of the extent of achievement of the applicable performance objectives, but in any event, no earlier than January 1 or later than March 15 of the year following the applicable plan year, and (iv) other benefits due to the Officer through his termination date under any Company-provided or paid plans, policies and arrangements, in accordance with their terms.

(e) Parachutes. Notwithstanding any other provisions of this Agreement to the contrary, in the event that any payments or benefits received or to be received by the Officer in connection with the Officer's employment with the Company (or termination thereof) would subject the Officer to the excise tax imposed under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Excise Tax"), and if the net-after tax amount (taking into account all applicable taxes payable by the Officer, including without limitation any Excise Tax) that the Officer would receive with respect to such payments or benefits does not exceed the net-after tax amount the Officer would receive if the amount of such payments and benefits were reduced to the maximum amount which could otherwise be payable to the Officer without the imposition of the Excise Tax, then, only the to the extent necessary to eliminate the imposition of the Excise Tax, such payments and benefits shall be reduced.

(f) Compliance with Section 409A. Notwithstanding anything set forth herein to the contrary, no amount payable pursuant to this Agreement on account of the Officer's termination of employment with the Company which constitutes a "deferral of compensation" within the meaning of the Section 409A Regulations shall be paid unless and until the Officer has incurred a "separation from service" within the meaning of the Section 409A Regulations. Furthermore, to the extent that the Officer is a "specified employee" within the meaning of the Section 409A Regulations as of the date of the Officer's separation from service, no amount that constitutes a deferral of compensation which is payable on account of the Officer's separation from service shall paid to the Officer before the date (the "Delayed Payment Date") which is first day of the seventh month after the date of the Officer's separation from service or, if earlier, the date of the Officer's death following such separation from service. All such amounts that would, but for this Section, become payable prior to the Delayed Payment Date will be accumulated and paid on the Delayed Payment Date.

5. COVENANTS

(a) Confidential Information. As an officer of the Company, the Officer acknowledges that he has had and will have access to confidential or proprietary information or both relating to the business of, or belonging to, the Company or any affiliates or third parties including, but not limited to, proprietary or confidential information, technical data, trade secrets, or know-how in respect of research, product plans, products, services, customer lists, customers, markets, computer software (including object code and source code), data and databases, outcomes research, documentation, instructional material, developments, inventions, processes, formulas, technology, designs, drawings, engineering, hardware, configuration information, models, manufacturing processes, sales information, cost information, business plans, business opportunities, marketing, finances or other business information disclosed to the Officer in any manner including by drawings or observations of parts or equipment, etc., all of which have substantial value to the Company (collectively, "Confidential Information").

(i) The Officer agrees that while employed with the Company and after the termination of the Officer's employment for any reason, the Officer shall not: (A) use any Confidential Information except in the course of his employment by the Company; or (B) disclose any Confidential Information to any other person or entity, except to personnel of the Company utilizing it in the course of their employment by the Company or to persons identified to the Officer in writing by the Company, without the prior written consent of the Company.

(ii) While the Officer is employed with the Company and after the termination of the Officer's employment for any reason, the Officer shall respect and adhere to any non-disclosure, confidentiality or similar agreements to which the Company or any of its affiliates are, or during the period of the Officer's employment by the Company, become, a party or subject. Upon the request of the Officer, the Company shall disclose to the Officer any such agreements to which it is a party or is subject.

(iii) The Officer hereby confirms that all Confidential Information and "Company Materials" (as hereinafter defined) are and shall remain the exclusive property of the Company. Immediately upon the termination of the Officer's employment for any reason, or during the Officer's employment with the Company upon the request of the Company, the Officer shall return all Company Materials, or any reproduction of such materials, apparatus, equipment and other physical property. For purposes of this Agreement, "Company Materials" are documents or other media or tangible items that contain or embody Confidential Information or any other information concerning the business, operations or plans of the Company or its affiliates, whether such documents have been prepared by the Officer or others.

(b) Disclosure of Previously Acquired Information to Company. The Officer hereby agrees not to disclose to the Company, and not to induce the Company to utilize, any proprietary information or trade secrets of any other party that are in his possession, unless and to the extent that he has authority to do so.

(c) Non-Competition. While the Officer is employed by the Company and for a two-year period thereafter, the Officer (and any entity or business in which the Officer or any affiliate of the Officer has any direct or indirect ownership or financial interest) shall not, except with the prior written consent of the Board of Directors, directly or indirectly, own any interest in, operate, join, control or participate as a partner, director, principal, officer, or agent of, enter into any employment of, act as a consultant to, or perform any services for, any business which at any time during such period is in competition with any material business in which the Company, or any of its affiliates, has taken substantial steps to engage or is engaged on or prior to the termination of Officer's employment by the Company, anywhere in the world. This provision shall not be construed to prohibit the ownership by the Officer of less than 2% of any class of securities of any corporation, so long as he remains a passive investor in such entity

(d) No Solicitation. While the Officer is employed by the Company and for a three-year period thereafter, the Officer shall not, directly or indirectly, for the Officer's own account or for the account of any other Person (i) solicit, employ, retain as a consultant, interfere with or attempt to entice away from the Company or any of its affiliates, or any successor to any of the foregoing, any individual who is, has agreed to be or within one year of such solicitation, employment, retention, interference or enticement has been, employed or retained by the Company or any of its subsidiaries or any successor to any of the foregoing and who had frequent contact with the Officer during the Officer's employment (provided, however, it shall not be a violation of this provision if the Officer solicits or employs his administrative assistant) or (ii) solicit or attempt to solicit the trade of any Person which, at the time of such solicitation, is a significant customer of the Company or its affiliates, or any successor to any of the foregoing, or which the Company or its affiliates, or any successor to any of the foregoing, is undertaking reasonable steps to procure as a customer at the time of or immediately preceding the termination of Officer's employment by the Company and which the Company reasonably believes could become a significant customer (provided, however, that this limitation shall only apply to any product or service which is in competition with a product or service of the Company or its affiliates).

(e) Non-Disparagement. The Officer and the Company agree that at any time during his employment with the Company or at any time thereafter, neither the Company nor the Officer shall make, or cause or assist any other person to make, any statement or other communication which impugns or attacks, or is otherwise critical of, the reputation, business or character of the other, any subsidiary or any of their respective officers, directors, employees, products or services. The foregoing restrictions shall not apply to any statements that are made truthfully in response to a subpoena or other compulsory legal process.

(f) Enforcement. The Officer hereby acknowledges that he has carefully reviewed the provisions of this Agreement and agrees that the provisions are fair and equitable. However, in light of the possibility of differing interpretations of law and change in circumstances, the parties hereto agree that if any one or more of the provisions of this Agreement is determined by a court of competent jurisdiction to be invalid, void or unenforceable under circumstances then existing, the parties hereto agree that the maximum period, scope or geographical area reasonable or enforceable under such circumstances shall be substituted for the stated period, scope or area.

6. GENERAL PROVISIONS

(a) Tax Withholding. All amounts paid to Officer hereunder shall be subject to all applicable wage withholding.

(b) Notices. Any notice hereunder by either party to the other shall be given in writing by personal delivery, or certified mail, return receipt requested, or (if to the Company) by telex or facsimile, in any case delivered to the applicable address set forth below:

(i) To the Company:	MagnaChip Semiconductor, Ltd. 891 Daechi-dong, Gangnam-gu Seoul 135-738 Korea Facsimile No: +82-2-6903-3898 Attn: General Counsel
With a copy to:	Court Square Capital Partners Park Avenue Plaza, 34th Floor 55 East 52nd Street New York, NY 10055 USA Facsimile No: +1-212-752-6184 Attn: David Thomas

and

Francisco Partners, L.P.
One Letterman Drive
Building C, Suite 410
San Francisco, CA 94129 USA
Facsimile No.: +1-415-418-2999
Attn: Dipanjan Deb

and

DLA Piper US LLP
2000 University Avenue
East Palo Alto, CA 94303
Facsimile No.: +1-650-833-2001
Attn: Micheal Reagan, Esq.

(ii) To the Officer: at the last known residential address.

or to such other persons or other addresses as either party may specify to the other in writing.

(c) Assignment; Assumption of Agreement. This Agreement shall be binding upon and inure to the benefit of (i) the heirs, executors, and legal representatives of the Officer upon the Officer's death, and (ii) any successor of the Company. Any such successor of the Company shall be deemed substituted for the Company under the terms of this Agreement for all purposes. For this purpose, "successor" means (i) any person, firm, corporation, or other business entity which at any time, whether by purchase, merger, or otherwise, directly or indirectly acquires all or substantially all of the assets or business of the Company or (ii) any corporation or business entity which is an affiliate of the Company and which expressly assumes the Company's obligations hereunder in writing. None of the rights of the Officer to receive any form of compensation payable pursuant to this Agreement may be assigned or transferred except by will or the laws of descent and distribution. Any other attempted assignment, transfer, conveyance, or other disposition of the Officer's right to compensation or other benefits will be null and void.

(d) Amendment. No provision of this Agreement may be amended, modified, waived or discharged unless such amendment, modification, waiver or discharge is agreed to in writing and signed by the parties. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

(e) Severability. If any term or provision hereof is determined to be invalid or unenforceable in a final court or arbitration proceeding, (i) the remaining terms and provisions hereof shall be unimpaired and (ii) the invalid or unenforceable term or provision shall be deemed replaced by a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision.

(f) Governing Law and Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware and venue shall be Wilmington, Delaware.

(g) Relocation Expenses. The Company shall reimburse the Officer up to US$200,000 for reasonable relocation expenses incurred by him in connection with his relocation to Korea.

(h) Entire Agreement. This Agreement, the Incentive Plan and the award agreements thereunder evidencing the equity awards granted in accordance with this Agreement, contain the entire agreement of the Officer, the Company and any predecessors or affiliates thereof with respect to the subject matter hereof and all prior agreements and negotiations are superseded hereby as of the date of this Agreement.

(i) Counterparts. This Agreement may be executed by the parties hereto in counterparts, each of which shall be deemed an original, but both such counterparts shall together constitute one and the same document.

(j) Acknowledgment Regarding Section 409A. The Company intends that income provided to the Officer pursuant to this Agreement will not be subject to taxation under Section 409A of the Code. The provisions of this Agreement shall be interpreted and construed in favor of satisfying any applicable requirements of Section 409A of the Code. However, the Company does not guarantee any particular tax effect for income provided to the Officer pursuant to this Agreement. In any event, except for the Company's responsibility to withhold applicable income and employment taxes from compensation paid or provided to the Officer, the Company shall not be responsible for the payment of any applicable taxes incurred by the Employee on compensation paid or provided to the Employee pursuant to this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement, effective as of the day and year first written above.

MAGNACHIP SEMICONDUCTOR, LTD.

By: /s/ Dipanjan Deb
Name: Dipanjan Deb
Title: Director

OFFICER

/s/ Sang Park
Sang Park

MAGNACHIP SEMICONDUCTOR LLC
NOTICE OF GRANT OF UNIT OPTION
[Non-US Participants]

The Participant has been granted an option (the ***"Option")*** to purchase certain Common Units of MagnaChip Semiconductor LLC pursuant to the MagnaChip Semiconductor LLC 2009 Common Unit Plan (the ***"Plan"),*** as follows:

Participant:	Sang Park
Date of Grant:	December 8, 2009
Number of Option Units:	2,240,000, subject to adjustment as provided by the Option Agreement.
Exercise Price:	US $1.16
Initial Vesting Date:	The date one (1) year after the Date of Grant
Option Expiration Date:	The date ten (10) years after the Date of Grant
Local Law:	The laws, rules and regulations of *[Name of Country]*, of which the Participant is a resident.
Vested Units:	Except as provided in the Option Agreement and provided the Participant's Service has not terminated prior to the applicable date, the number of Vested Units (disregarding any resulting fractional Unit) as of any date is determined by multiplying the Number of Option Units by the cumulative "***Vested Ratio***" (not to exceed 1.0) determined as of such date as follows:

	Vested Ratio
Prior to Initial Vesting Date	0.00
On Initial Vesting Date	0.34
Plus, on completion of next period of three (3) months	0.09
Plus, on completion of each of next three (3) periods of three (3) months	0.08
Plus, on completion of next period of three (3) months	0.09
Plus, on completion of each of next three (3) periods of three (3) months	0.08

By their signatures below, the Company and the Participant agree that the Option and the Units that may be acquired upon the exercise of the Option are governed by this Grant Notice, by the provisions of the Plan and the Option Agreement, and by the Operating Agreement, all of which are attached to and made a part of this document. The Participant acknowledges receipt of copies of the Plan, the Option Agreement and the Operating Agreement, represents that the Participant has read and is familiar with their provisions, and hereby accepts the Option subject to all of their terms and conditions.

MAGNACHIP SEMICONDUCTOR LLC

By: /s/ John McFarland

Its: SVP & General Counsel

Address: 891 Daechi-dong,
Gangnam-gu Seoul, Korea 135-738

PARTICIPANT

/s/ Sang Park
Signature

12/18/09
Date

Address

ATTACHMENTS: 2009 Common Unit Plan, as amended to the Date of Grant; Option Agreement and Exercise Notice; and Operating Agreement

Exhibit 10.29

MAGNACHIP SEMICONDUCTOR LLC
NOTICE OF GRANT OF RESTRICTED UNITS
[Non-US Participants]

The Participant has been granted an award (the ***"Award")*** of certain Common Units (the ***"Units***") of MagnaChip Semiconductor LLC pursuant to the MagnaChip Semiconductor LLC 2009 Common Unit Plan (the ***"Plan"),*** as follows:

Participant: Sang Park

Date of Grant: December 8, 2009

Total Number of Units: 2,240,000, subject to adjustment as provided by the Restricted Unit Agreement.

Fair Market Per Unit on Date of Grant: US $0.74

Initial Vesting Date: The Date of Grant

Local Law: The laws, rules and regulations of *[Name of Country]*, of which the Participant is a resident.

Vested Units: Except as provided in the Restricted Unit Agreement and provided the Participant's Service has not terminated prior to the applicable date, the number of Vested Units (disregarding any resulting fractional Unit) as of any date is determined by multiplying the Total Number of Units by the cumulative "***Vested Ratio"***(not to exceed 1.0) determined as of such date as follows:

	Vested Ratio
Prior to Initial Vesting Date	0.0
On Initial Vesting Date	0.34
Plus, on completion of next period of one (1) year	0.33
Plus, on completion of next period of one (1) year	0.33

By their signatures below, the Company and the Participant agree that the Award is governed by this Grant Notice, by the provisions of the Plan and the Restricted Unit Agreement, and by the Operating Agreement, all of which are attached to and made a part of this document. The Participant acknowledges receipt of copies of the Plan, the Restricted Unit Agreement and the Operating Agreement, represents that the Participant has read and is familiar with their provisions, and hereby accepts the Award subject to all of their terms and conditions.

MAGNACHIP SEMICONDUCTOR LLC

By: /s/ John McFarland
Its: SVP & General Counsel

Address: 891 Daechi-dong,
Gangnam-gu Seoul, Korea 135-738

PARTICIPANT

/s/ Sang Park
Signature
Date 12/18/2009
Address

ATTACHMENTS: 2009 Common Unit Plan, as amended to the Date of Grant; Restricted Unit Agreement; Assignment Separate from Certificate; and Operating Agreement

Exhibit 10.30

Entrustment Agreement

MagnaChip Semiconductor Ltd. (“A”) and Tae Young Hwang, an individual (“B”), shall execute this Entrustment Agreement (the “Agreement”) subject to the following terms:

Article 1 (Delegation by A)

A shall appoint B to a position pursuant to Article 4 hereof, delegating authority to handle business matters necessary to ensure A’s successful achievement of its business objectives for current projects and future business plans by effectively utilizing B’s academic and technological knowledge and capabilities, and B hereby agrees to the terms and conditions hereinafter set forth.

Article 2 (Term of Agreement)

1) This Agreement shall be in effect for one (1) year from October 1, 2004 to September 30, 2005 (the “Initial Term”).

2) Prior to the expiration of the Initial Term, A and B may renew this Agreement or enter into a new agreement based on mutual consensus.

Article 3 (Duties of B)

1) B shall devote his academic and technological knowledge and capabilities to serve the best interests of A.

2) During the term of this Agreement, B shall faithfully perform his duties in accordance with national laws and regulations, A’s articles of association and its internal rules and regulations, and the decisions made by A’s Board of Directors.

3) B shall only work to advance the interests of A during the term of this Agreement and shall not execute any transactions related to A’s business based on his or any third party’s calculations without the prior written approval of A. B shall not be hired as an employee or a director of other companies that are competitors of A.

Article 4 (General Benefits)

1) Position: A shall hereby employ B as Executive Vice President of A. In the event of a change in A’s management hierarchy, B shall follow the applicable guidelines.

2) Salary

   1. A shall pay B a base salary at the rate of KRW 220 million per annum (the “Salary”), payable to B in accordance with the standard payroll practices of A. In the event of a change in A’s payroll system, B shall follow the applicable guidelines.

2. B shall be eligible to earn a bonus and incentives based on his management performance and the results of his project.

3) Severance Pay: B's severance pay for the service period following the expiration of this Agreement shall follow A's applicable rules and regulations.

Article 5 (Other Welfare Benefits)

1) B shall participate in the public insurance system as required by law, including health insurance, national pension and employment insurance, etc., and A shall support such benefits in accordance with the law.

2) Vacation

B shall be entitled to annual vacation in accordance with the terms of A's executive annual vacation system.

Article 6 (Termination of Agreement)

1) Prior to the expiration of this Agreement, A shall terminate this Agreement with a written notice if B falls into any of the following categories (as hereinafter listed).

1. Indicted for a crime and sentenced to probation or higher degree of penalty.
2. Declared as mentally total incompetent, mentally partial incompetent or bankrupt.
3. Misrepresented his identity, qualifications, or work experiences, or committed fraud in entering into this Agreement.
4. B cannot work in his capacity for one (1) month or longer due to his own faults.
5. A determines that due to physical or mental illness or incapacity, B is unable to perform his duties.
6. A determines that due to cancellation or reduction of business plans, the purpose of hiring B is lost.
7. Material violation of the provisions specified in this Agreement.

2) Termination of this Agreement in accordance with the causes listed in the previous clause (except sub-clauses 1 and 4) shall be communicated by delivery to B of a 30 days' advance written notice from A. Termination pursuant to sub-clauses 1 and 4 in the previous clause shall occur immediately concurrent with the occurrence of the cause.

Article 7 (Service Inventions, Etc.)

1) During the effect of this Agreement, B shall immediately notify A in the event that B has invented, found or created any items in connection with his employment with A or using A's time and resources, and B hereby agrees to transfer all intellectual property rights, including patents, utility models, software, and copyrights, thereby acknowledging the automatic possession of all intellectual property rights by A. At the

request of A, B hereby agrees to produce and submit documents (i.e., application forms) required for intellectual property rights registration including, but not limited to, patents, through a dedicated agent at home or abroad. In such cases, the costs required for intellectual property rights registrations shall be paid by A, but B is not entitled to receive any additional compensation other than the compensation stipulated in A's standard compensation guidelines governing such inventions.

2) Pursuant to the previous clause, during the effective period of this Agreement, B shall immediately notify A on the details of his inventions, findings or creations except those related to the intellectual property rights automatically possessed by A (i.e., inventions other than the service inventions). A shall possess a preferential right to negotiate with B (i.e., first negotiation rights) on the acquisition by transfer or usage rights of such inventions other than service inventions. B hereby agrees that he will not transfer or grant usage rights to third parties in more favorable terms than the terms offered by A regarding such inventions other than service inventions, unless A surrenders the aforementioned first negotiation rights in writing. However, A's first negotiation rights shall expire in the event that A fails to request a priority negotiation in writing to B within three (3) months from the date when A receives such notice from B.

3) As to the inventions, findings or creations, for which B desires to be exempt from the aforementioned clauses 1 and 2 due to violation against an existing agreement signed with a third party, and the not-yet-filed inventions, which B wants to exclude from the aforementioned clauses 1 and 2, B shall list such inventions, findings or creations in the attached sheet together with the description thereon, and represent that the descriptions are true without omission. If B does not fill in the attached sheet, it shall be assumed that there are neither other agreements with third parties nor any items B wants to be excluded from the aforementioned clauses 1 and 2.

Article 8 (Confidentiality and Non-Competition)

1) During the effect of this Agreement and after the termination of this Agreement, B shall maintain confidentiality of all confidential or proprietary information including, but not limited to, business management data, technical data, drawings, and documentation of A, its affiliates, and customers that B will gain knowledge of or acquire in the course of business. B shall not disclose such confidential or proprietary information or use them for the benefit of B or other third parties. Until the first anniversary of the date of termination of this Agreement, B shall not, directly and indirectly in the name of a third party, own any interest in, operate or perform any services for any business which is in competition with any business of A. However, this restriction shall not apply in the event that B negotiates with A in advance and receives approval from A.

Article 9 (Supplementary Clause)

1) Provisions not specified in this Agreement shall follow the rules and regulations articulated by A, and the laws and regulations of the Republic of Korea.

2) B hereby understands and agrees that this Agreement is not a labor contract pursuant to the Labor Standard Act, and therefore the rights and benefits applied to A's employees based on the labor laws of the Republic of Korea, A's employment policies, and collective bargaining agreements, etc., that are not stipulated in this Agreement, shall not apply to B.

3) In the event of legal disputes arising out of or related to this Agreement, the governing court shall be the court located in the territory of the headquarter of A.

To prove this agreement, two copies of the agreement shall be produced, signed by each party concerned, and each party shall keep one copy.

___,___, 200_

"A" MagnaChip Semiconductor Ltd.

CEO (sign)

"B" Address:

Citizen registration No.:

Name: (sign)

MAGNACHIP SEMICONDUCTOR LLC
NOTICE OF GRANT OF UNIT OPTION
[Non-US Participants)

The Participant has been granted an option (the ***"Option"***) to purchase certain Common Units of MagnaChip Semiconductor LLC pursuant to the MagnaChip Semiconductor LLC 2009 Common Unit Plan (the ***"Plan"***), as follows:

Participant: Taeyoung Hwang

Date of Grant: December 8, 2009

Number of Option Units: 1,400,000, subject to adjustment as provided by the Option Agreement.

Exercise Price: US $1.16

Initial Vesting Date: The date one (1) year after the Date of Grant

Option Expiration Date: The date ten (10) years after the Date of Grant

Local Law: The laws, rules and regulations of *[Name of Country]*, of which the Participant is a resident.

Vested Units: Except as provided in the Option Agreement and provided the Participant's Service has not terminated prior to the applicable date, the number of Vested Units (disregarding any resulting fractional Unit) as of any date is determined by multiplying the Number of Option Units by the cumulative ***"Vested Ratio"*** (not to exceed 1.0) determined as of such date as follows:

	Vested Ratio
Prior to Initial Vesting Date	0.00
On Initial Vesting Date	0.34
Plus, on completion of next periods of three (3) months	0.09
Plus, on completion of each of next three (3) periods of three (3) months	0.08
Plus, on completion of next period of three (3) months	0.09
Plus, on completion of each of next three (3) periods of three (3) months	0.08

By their signatures below, the Company and the Participant agree that the Option and the Units that may be acquired upon the exercise of the Option are governed by this Grant Notice, by the provisions of the Plan and the Option Agreement, and by the Operating Agreement, all of which are attached to and made a part of this document. The Participant acknowledges receipt of copies of the Plan, the Option Agreement and the Operating Agreement, represents that the Participant has read and is familiar with their provisions, and hereby accepts the Option subject to all of their terms and conditions.

MAGNACHIP SEMICONDUCTOR LLC

By: /s/ Sang Park
Its: CEO & Chairman

Address: 891 Daechi-dong,
Gangnam-gu Seoul, Korea 135-738

PARTICIPANT

/s/ Taeyoung Hwang
Signature

Dec. 15, 2009
Date

Address

ATTACHMENTS: 2009 Common Unit Plan, as amended to the Date of Grant; Option Agreement and Exercise Notice; and Operating Agreement

MAGNACHIP SEMICONDUCTOR LLC
NOTICE OF GRANT OF RESTRICTED UNITS
[Non-US Participants]

The Participant has been granted an award (the ***"Award"***) of certain in Common Units (the ***"Units"***) of MagnaChip Semiconductor LLC pursuant to the MagnaChip Semiconductor LLC 2009 Common Unit Plan (the ***"Plan"***), as follows:

Participant: Taeyoung Hwang

Date of Grant: December 8, 2009

Total Number of Units: 840,000, subject to adjustment as provided by the Restricted Unit Agreement.

Fair Market Per Unit on Date of Grant: US $0.74

Initial Vesting Date: The Date of Grant

Local Law: The laws, rules and regulations of *[Name of Country]*, of which the Participant is a resident.

Vested Units: Except as provided in the Restricted Unit Agreement and provided the Participant's Service has not terminated prior to the applicable date, the number of Vested Units (disregarding any resulting fractional Unit) as of any date is determined by multiplying the Total Number of Units by the cumulative ***"Vested Ratio"*** (not to exceed 1.0) determined as of such date as follows:

	Vested Ratio
Prior to Initial Vesting Date	0.0
On Initial Vesting Date	0.34
Plus, on completion of next period of one (1) year	0.33
Plus, on completion of next period of one (1) year	0.33

By their signatures below, the Company and the Participant agree that the Award is governed by this Grant Notice, by the provisions of the Plan and the Restricted Unit Agreement, and by the Operating Agreement, all of which are attached to and made a part of this document. The Participant acknowledges receipt of copies of the Plan, the Restricted Unit Agreement and the Operating Agreement, represents that the Participant has read and is familiar with their provisions, and hereby accepts the Award subject to all of their terms and conditions.

MAGNACHIP SEMICONDUCTOR LLC

By: /s/ Sang Park
Its: CEO & Chairman

Address: 891 Daechi-dong,
Gangnam-gu Seoul, Korea 135-738

PARTICIPANT

/s/ Taeyoung Hwang
Signature

Dec. 15, 2009
Date

Address

ATTACHMENTS: 2009 Common Unit Plan, as amended to the Date of Grant; Restricted Unit Agreement; Assignment Separate from Certificate; and Operating Agreement

Exhibit 10.33

MagnaChip Semiconductor, Ltd.
891 Daechi-dong. Kangnam-gu
Seoul 135-738 Korea
Tel. +82 2 3459-3007
youm.huh@magnachip.com

March 7, 2006

Mr. Brent A. Rowe
2 Russell Road
Cumberland-Foreside, Maine 04105
USA

Dear Mr. Rowe:

MagnaChip Semiconductor LLC ("MagnaChip") is pleased to present you with an offer for employment with MagnaChip Semiconductor, Inc. (the "Company"), a wholly-owned subsidiary of MagnaChip, in the position of Senior Vice President, Worldwide Sales. We believe that you have the potential to make valuable contributions to MagnaChip, and we hope you will find your employment with us to be a rewarding experience.

You will be based in Santa Clara, California, but will be expected to travel as needed to other destinations as the job may require, including spending a substantial portion of the first six months of your employment travelling in Asia.

Your salary will be US$220,000 per annum. You will be paid in accordance with the Company's normal payroll practices and your compensation will be subject to payroll deductions and all required withholdings. Annual salary increases will be determined in accordance with MagnaChip's internal policies and procedures. In addition, you will be eligible to earn an annual incentive of up to 80% of your base salary. The annual incentive will be based on company performance and attainment of your management objectives under a plan to be established and approved MagnaChip's Board of Directors.

You will be paid a sign-on bonus of US$50,000 on the first normal pay date after your employment begins. You may elect to receive your first year annual bonus of 80% of base pay, in advance, to facilitate the purchase of a new home in California. You may elect to continue advancing your annual bonus each year for the first three years of your employment with the understanding that should you leave employment of the company at any time and for any reason, you will refund to the Company the prorated portion of the bonus for the remainder of the calendar year in which your employment is terminated.

Upon approval of MagnaChip's Board of Directors, you will be granted options to purchase 200,000 common units of MagnaChip at an exercise price per unit of the greater of (i) $1.04 or (ii) the fair market value of a common unit at the time you begin your employment.

You will be eligible to participate in the company's employee benefits programs for which you qualify, including medical, disability, and life insurance plans applicable to senior officers of the Company generally in accordance with the terms of such plans as are in effect from time to time. The Company will also provide reasonable household relocation expenses from your home in Maine to your workplace in California, including surface transportation

MagnaChip Semiconductor, Ltd.
891 Daechi-dong. Kangnam-gu
Seoul 135-738 Korea
Tel. +82 2 3459-3007
youm.huh@magnachip.com

for your household goods, air transportation for you and your family, temporary housing, household goods storage and real estate brokerage fees for the sale and purchase of a home. Additionally, we will provide reimbursement of the annual tuition and fees for your son to attend high school at a school of your choice in California, for the period of your employment.

We understand that you have a large household in Maine and may require a larger than normal transportation and/or storage fee to facilitate your move to California. Temporary housing for your family to facilitate marketing and sale of your home and transition into your new home will be provided for four months (this does not include your business travel related hotel expenses which will be reimbursed separately).

Your employment relationship with the Company is at-will, although we shall provide a six-month severance payment should we terminate your employment without cause. You may terminate your employment with the Company at any time and for any reason whatsoever simply by notifying us. Likewise, the Company may terminate your employment at any time and for any reason whatsoever, with or without cause or advance notice. As required by law, this offer is subject to satisfactory proof of your right to work in the United States.

As an employee in the MagnaChip organization, you will be expected to abide by MagnaChip's and the Company's rules and regulations and sign and comply with the Company's form Employee Proprietary Information and Invention Assignment Agreement, which prohibits unauthorized use or disclosure of the Company's proprietary information and requires you to assign any inventions created while employed at the Company to the Company.

To ensure the rapid and economical resolution of disputes which arise in connection with your employment with the Company, you and the Company agree that any and all disputes, claims or causes of action arising from or relating to your employment with the Company will be resolved to the fullest extent permitted by law by final and binding confidential arbitration held in Santa Clara, California, through the American Arbitration Association ("AAA") under its National Rules for the Resolution of Employment Disputes; provided, however, that either party may obtain injunctive relief from a court if necessary to prevent irreparable damage prior to a final decision under arbitration or in situations where arbitrator lacks authority to issue injunctive relief. By agreeing to this arbitration procedure, both parties waive the right to a trial by jury or by a court or to an administrative proceeding. Nothing in this offer letter should be construed as restricting your access or resort to the Equal Employment Opportunity Commission. The Company shall pay all arbitration fees.

This letter forms the complete and exclusive offer of your employment with the Company. Any modification to this offer must be in writing and signed by Youm Huh, President and CEO of MagnaChip. Please indicate your acceptance of this offer of employment by signing in the space below. Please return the two executed copies of this letter to me as soon as possible.

We look forward to your participation in the future growth of MagnaChip. If you have any questions, please call me at 82-2-3459-3007 or contact me via e-mail at youm.huh@magnachip.com.

MagnaChip Semiconductor, Ltd.
891 Daechi-dong. Kangnam-gu
Seoul 135-738 Korea
Tel. +82 2 3459-3007
youm.huh@magnachip.com

Sincerely,

MAGNACHIP SEMICONDUCTOR LLC

Youm Huh, Ph.D.
President and Chief Executive Officer

ACCEPTED BY:
Brent A. Rowe

Signature	/s/ Brent A. Rowe
Date	3/15/06

891 Daechi-dong, Kangnam-gu, Seoul,
135-178, Korea
Tel: 82-2-3459-3675
Fax: 82-2-3459-3686
www.magnachip.com

Strictly Confidential

December 20, 2006

OFFER LETTER SUPPLEMENT REGARDING BONUS

To: Brent A Rowe

Dear Brent:

As a way to enable you to complete the move of your household from Maine to California, and as an incentive to succeed in your career at MagnaChip Semiconductor LLC (or a subsidiary thereof), we offer this Offer Letter Supplement regarding your eligibility for an advance on your prospective performance bonus.

Your current employment terms provide that you are eligible to receive an annual bonus of 80% of base pay based on Company performance and achievement of your management objectives. You may elect to receive your first year annual bonus in advance.

Under the terms of this Offer Letter Supplement, we agree to allow you to elect to receive your first three years of annual bonus payments at a rate of 80% of base pay in advance up to a payment of US$528,000 (0.80*220,000*3). Should you elect to take this advance, no annual incentive payments will be paid to you until the earlier of (i) April 4, 2009, or (ii) the date on which the cumulative annual performance bonus payments you have accrued reaches US$528,000.

Should your employment with the Company terminate at any time for any reason, whether voluntary or involuntary, or for cause or for no cause, you will refund to the Company a pro rata portion of the advance determined as the lesser of:

1. an annualized payment determined by subtracting from US$528,000 the amount determined by multiplying US$528,000 by the number of calendar days from April 4, 2006, to the date of termination, divided by 1,096; and
2. an accrued bonus payment determined by subtracting from US$528,000 all performance-based bonuses accruing during the period from April 4, 2006, to the date of termination. For purposes of this Offer Letter Supplement, a bonus does not accrue until the date the bonus would have been paid in accordance with the normal policies and procedures of the Company. For example, if executives of the Company receive FY2007 bonuses on February 25, 2008, then no FY2007 bonus accrues for purposes of this calculation until February 25, 2008.

For the avoidance of doubt, we offer the following examples of a refund calculated per the foregoing formula:

1. You leave voluntarily on April 4, 2008, and the performance based payout on February 25, 2007, totals 40% of your base salary and on March 31, 2008, totals 80% of your base salary. You would refund the Company $176,321.17, which is the lesser of $176,321.17 ($528,000 – $528,000*730 / 1096) or $264,000.00 ($528,000 – (0.40*$220,000) – (0.80*$220,000)).

2. You are terminated for cause on December 4, 2007, and you are not granted a performance based payout in 2007 covering the fiscal year 2006. You would refund the Company $255,328.47, which is the lesser of $255,328.47 ($528,000–$528,000*566 / 1096) or $528,000.00 ($528,000 – (0.0*220,000) – (0.0*220,000)).

3. You are terminated without cause on June 30, 2008, and the performance based payout on April 30, 2007, totals 20% of your base salary, and on February 1, 2008, totals 80% of your base salary, which was raised to $250,000 on January 1, 2008. You would refund the Company $159,459.85, which is the lesser of $159,459.85 ($528,000–$528,000*765 / 1096) or $284,000.00 ($528,000 – (0.20*$220,000) – (0.80*$250,000)).

4. You leave voluntarily on March 4, 2007, and the performance based payout on March 1, 2007, totals 80% of your base salary. You would refund the Company $352,000.00, which is the lesser of $367,094.89 ($528,000–$528,000*334 / 1096) or $352,000.00 ($528,000 – (0.80*$220,000)).

5. You are terminated without cause on March 31, 2009, and the performance based payout on April 30, 2007, totals 20% of your base salary, and on February 1, 2008, totals 80% of your base salary, and the Company has said that it would pay you a performance bonus of 60% of your base salary on April 1, 2009. You would refund the Company $1,927.01, which is the lesser of $1,927.01 ($528,000–$528,000*1092 / 1096) or $308,000.00 ($528,000 – (0.20*$220,000) – (0.80*$220,000) – (0.0*220,000)).

You may elect at any time to voluntarily repay all or a portion of your bonus advance. For purposes of calculating any refund due to the Company, the $528,000 term in the refund calculations will be reduced by aggregate amounts repaid.

You and the Company agree that any and all disputes, claims or causes of action arising from or relating to this Offer Letter Supplement or your employment with the Company will be resolved to the fullest extent permitted by law by final and binding confidential arbitration held in Santa Clara, California, through the American Arbitration Association (“AAA”) under its National Rules for the Resolution of Employment Disputes; provided, however, that either party may obtain injunctive relief from a court if necessary to prevent irreparable damage prior to a final decision under arbitration or in situations where arbitrator lacks authority to issue injunctive relief. By agreeing to this arbitration procedure, both parties waive the right to a trial by jury or by a court or to an administrative proceeding. Nothing in this offer letter should be construed as restricting your access or resort to the Equal Employment Opportunity Commission. The Company shall pay all arbitration fees.

Again, thank you for your continued performance and contributions.

Regards,
MagnaChip Semiconductor LLC

/s/ Sang Park

President and CEO
Sang Park

I have read and understood this Offer Letter Supplement. I agree that this Offer Letter Supplement is strictly confidential and must not be disclosed to any internal and external parties. I understand that any such disclosure could lead to disciplinary action up to and including termination.

Acknowledged and Agreed:

/s/ Brent Rowe 12/20/06

Brent A. Rowe

Exhibit 10.34

MAGNACHIP SEMICONDUCTOR LLC
NOTICE OF GRANT OF UNIT OPTION
[US Participants]

The Participant has been granted an option (the ***"Option"***) to purchase certain Common Units of MagnaChip Semiconductor LLC pursuant to the MagnaChip Semiconductor LLC 2009 Common Unit Plan (the ***"Plan"***), as follows:

Participant: Brent Rowe

Date of Grant: December 8, 2009

Number of Option Units: 840,000, subject to adjustment as provided by the Option Agreement.

Exercise Price: US $1.16

Initial Vesting Date: The date one (1) year after the Date of Grant

Option Expiration Date: The date ten (10) years after the Date of Grant

Tax Status of Option: Nonstatutory Option

Vested Units: Except as provided in the Option Agreement and provided the Participant's Service has not terminated prior to the applicable date, the number of Vested Units (disregarding any resulting fractional Unit) as of any date is determined by multiplying the Number of Option Units by the cumulative "***Vested Ratio***" (not to exceed 1.0) determined as of such date as follows:

	Vested Ratio
Prior to Initial Vesting Date	0.00
On Initial Vesting Date	0.34
Plus, on completion of next period of three (3) months	0.09
Plus, on completion of each of next three (3) periods of three (3) months	0.08
Plus, on completion of next period of three (3) months	0.09
Plus, on completion of each of next three (3) periods of three (3) months	0.08

The Exercise Price represents an amount the Company believes to be no less than the fair market value of a Unit as of the Date of Grant, determined in good faith in compliance with the requirements of Section 409A of the Code. However, there is no guarantee that the Internal Revenue Service will agree with the Company's determination. A subsequent IRS determination that the Exercise Price is less than such fair market value could result in adverse tax consequences to the Participant. By signing below, the Participant agrees that the Company, its directors, officers and members shall not be held liable for any tax, penalty, interest or cost incurred by the Participant as a result of such determination by the IRS. The Participant is urged to consult with his or her own tax advisor regarding the tax consequences of the Option, including the application of Section 409A.

By their signatures below, the Company and the Participant agree that the Option and the Units that may be acquired upon the exercise of the Option are governed by this Grant Notice, by the provisions of the Plan and the Option Agreement, and by the Operating Agreement, all of which are attached to and made a part of this document. The Participant acknowledges receipt of copies of the Plan, the Option Agreement and the Operating Agreement, represents that the Participant has read and is familiar with their provisions, and hereby accepts the Option subject to all of their terms and conditions.

MAGNACHIP SEMICONDUCTOR LLC

By: /s/ Sang Park

Its: CEO & Chairman

Address: 891 Daechi-dong,
Gangnam-gu Seoul, Korea 135-738

PARTICIPANT

/s/ Brent Rowe
Signature

12/16/09
Date

Address

ATTACHMENTS: 2009 Common Unit Plant, as amended to the Date of Grant; Option Agreement and Exercise Notice; and Operating Agreement

MAGNACHIP SEMICONDUCTOR LLC
NOTICE OF GRANT OF RESTRICTED UNITS
[US Participants]

The Participant has been granted an award (the ***"Award")*** of certain Common Units (the ***"Units***") of MagnaChip Semiconductor LLC pursuant to the MagnaChip Semiconductor LLC 2009 Common Unit Plan (the ***"Plan"),*** as follows:

Participant:	Brent Rowe
Date of Grant:	December 8, 2009
Total Number of Units:	560,000, subject to adjustment as provided by the Restricted Unit Agreement.
Fair Market Per Unit on Date of Grant:	US $0.74
Initial Vesting Date:	The Date of Grant
Vested Units:	Except as provided in the Restricted Unit Agreement and provided the Participant's Service has not terminated prior to the applicable date, the number of Vested Units (disregarding any resulting fractional Unit) as of any date is determined by multiplying the Total Number of Units by the cumulative "***Vested Ratio"*** (not to exceed 1.0) determined as of such date as follows:

	Vested Ratio
Prior to Initial Vesting Date	0.0
On Initial Vesting Date	0.34
Plus, on completion of next period of one (1) year	0.33
Plus, on completion of next period of one (1) year	0.33

By their signatures below, the Company and the Participant agree that the Award is governed by this Grant Notice, by the provisions of the Plan and Restricted Unit Agreement, and by the Operating Agreement, all of which are attached to and the made part this document. The Participant acknowledges receipt of copies of the Plan, the Restricted Unit Agreement and the Operating Agreement, represents that the Participant has read and is familiar with their provisions, and hereby accepts the Award subject to all of their terms and conditions.

MAGNACHIP SEMICONDUCTOR LLC

By: /s/ Sang Park

Its: CEO & Chairman

Address: 891 Daechi-dong,
Gangnam-gu Seoul, Korea 135-738

PARTICIPANT

/s/ Brent Rowe
Signature

12/16/2009
Date

Address

ATTACHMENTS: 2009 Common Unit Plan, as amended to the Date of Grant; Restricted Unit Agreement; Assignment Separate from Certificate; form of Section 83(b) Election; and Operating Agreement

Exhibit 10.36

891 Daechi-dong, Kangnam-gu,
Seoul,
135-178, Korea
Tel: 82-2-3459-3675
Fax: 82-2-3459-3686
www.magnachip.com

Confidential

September 5, 2006

Margaret Sakai
#104 World Meridian,
231 Gumi-Dong, Bundang-Gu,
Seongnam-Si, Gyeonggi-Do

Dear Margaret:

MagnaChip Semiconductor, Ltd. ("MagnaChip") is pleased to present you with an offer for employment in the position of Senior Vice President and Corporate Controller, reporting to Robert Krakauer, Executive Vice President, Corporate Operations, and Chief Financial Officer. We believe that you have significant potential to make valuable contributions to MagnaChip, and we hope you will find your employment with us a rewarding experience.

You will be based at MagnaChip's Seoul office, but will be expected to travel as needed within Korea and to other destinations as the job may require. The expected start date of your employment is November 1, 2006.

Your annual salary will be USD250,000 per annum. You will be paid in accordance with MagnaChip's normal payroll practices and your compensation will be subject to payroll deductions and all required withholdings. Annual salary increases will be determined by MagnaChip in accordance with MagnaChip's internal policies and procedures. You will be eligible to earn an annual incentive of up to 50% of your base salary. The annual incentive will be based on company performance and attainment of your management objectives under a plan to be established and approved the Board of Directors of MagnaChip's parent company (the "Board"). MagnaChip may from time to time in its sole discretion adjust the salary and benefits paid to you and its other employees in the normal course of operations.

Upon approval by the Board of Directors of MagnaChip Semiconductor LLC (the "Board"), you will be granted options to purchase 75,000 MagnaChip common units (the "Option") pursuant to the MagnaChip Semiconductor LLC Equity Incentive Plan at the exercise price of $3.00 per common unit. An installment of 25% of the common units subject to the Option shall become vested and exercisable on the first anniversary of the commencement date of your employment and 6.25% of the common units subject to the Option shall become vested and exercisable at the end of each three month period thereafter on the same day of the month as the commencement date (or, if earlier, the last day of such month), subject to your continuing employment with the Company. Other terms of the Option shall be as determined by the Board, and prior to receiving the Option you must execute an option agreement in the form as approved by the Board.

You will be eligible to participate in MagnaChip's employee benefits programs for which you qualify and as are applicable to other MagnaChip employees of your level based in Korea. In addition to that, you shall be entitled to the following expatriate benefits:

(a) Visas and Work Permits. The Company will provide the necessary services and cover the cost to obtain the necessary visas and/or work permits to enable the employee to legally work and stay in Korea for the duration that the employee is assigned to perform services in Korea.

(b) School tuition for children. The Company will pay gross tuition, including school bus fees, for your two children at a foreign school in Korea.

(c) Housing support. The Company understands that you have located rental housing in Seoul (the "apartment") for which you the lessor requires a key money deposit (*jeonse*) in the amount of KRW750,000,000 (the "key money deposit"). Subject to the conditions set forth herein, the Company agrees to enter a lease arrangement with the apartment owner for your benefit in which the Company leases the apartment and pays the key money deposit in the Company's name; provided, however, that (i) the Company shall in no event be obligated for more than the KRW750,000,000 key money deposit; (ii) the Company shall retain all rights to and under the key money deposit; (iii) you, the apartment owner, and all other holders of security on the apartment agree to provide the Company with a first-priority *jeonse* right registration on the apartment as first-priority security for the Company's key money deposit; (iv) you and the apartment owner shall provide all required assistance to effect such *jeonse* right registration; (v) you shall be responsible for all maintenance fees, resident fees, utilities, and other costs and expenses related to your occupancy of the apartment; and (vi) upon termination of your employment with the Company for any reason, you will immediately (x) vacate the apartment, or (y) arrange for the substitution of the Company on the apartment lease, the return of the full key money deposit to the Company, and the release of the Company from all obligations related to the apartment and this housing support provision. This offer of housing support is conditional upon your tender to the Company of an accurate, up-to-date copy of the real property registry and current and prospective lease agreements for the apartment. If the Company in its sole discretion determines that entering the lease, providing the key money deposit, and effecting the *jeonse* registration are impractical or not in the reasonable best interests of the Company, you and the Company agree to negotiate a suitable substitute arrangement that effects the intent of you and the Company parties under this housing support provision.

(d) Company Car. The Company will furnish a company car with a driver to go to and from work, but during the day, driver will be in a pool for general corporate use.

(e) Tax treatment. The Company shall provide for tax equalization commencing in the tax year when the employment begins through the end of tax year of termination of employment. The employee shall minimize U.S. taxes as permitted by Section 901 and 911 of the Internal Revenue Code. For the avoidance of doubt, this provision shall be interpreted to mean that the employee's total tax liability shall not be higher than it would have been had the employee remained in the U.S. The Company will provide tax preparation services to assist the Company with the preparation of the employee's personal income tax returns for the U.S. and Korea.

(f) Vacation. The employee shall be entitled to annual vacation of three weeks per year and, while in an expatriate status in Korea, an additional two weeks of home leave per year, inclusive of business-class flight expenses for one trip to the U.S. for employee.

(g) Health insurance. The employee shall be eligible to participate in or purchase as necessary and be reimbursed for medical, disability and life insurance plans as per the Company's plans and policies.

(h) The Company shall pay or reimburse the employee for all reasonable out-of-pocket expenses incurred by the employee in connection with the employee's employment hereunder upon submission of appropriate documentation or receipts in accordance with the policy and procedures of the Company as are in effect from time to time.

As an employee of MagnaChip organization, you will be expected to abide by MagnaChip's rules and regulations and sign and comply with MagnaChip's form employment agreement for employees based in Korea that includes confidentiality and non-competition provisions. Your employment relationship with MagnaChip is at-will, although you will be eligible for severance programs as required by Korean law. You may terminate your employment with MagnaChip at any time and for any reason whatsoever simply by notifying us. Likewise, MagnaChip may terminate your employment at any time and for any reason whatsoever, with or without cause or advance notice. Upon termination of your employment by MagnaChip without cause, MagnaChip will pay you (i) severance in the form of a continuation of your salary, at the rate in effect on the date of the involuntary termination without cause, for a period of six months, commencing on the date next following the date of the involuntary termination, (ii) payment of the annual incentive, in a prorated amount based on the number of days you were actually employed during the applicable plan year and on deemed satisfactory performance by you and MagnaChip, and (iii) will provide six months' Company-paid benefits for you and your dependents; provided the severance payable to you shall be reduced to the extent that the Company makes any severance payments pursuant to the Korean Commercial Code or any other statute.

This letter forms the complete and exclusive offer of your employment with MagnaChip. No other representative has any authority to modify or enter into an agreement or modification, express or implied, contrary to the foregoing. Any such modification or agreement must be in writing and signed by Sang-ho Park, Robert Krakauer, or Victoria Miller Nam and must clearly and expressly specify an intent to change the at-will nature of your employment.

We look forward to your participation in the future growth of MagnaChip. Please indicate your acceptance of this offer of employment by signing in the space below. Please fax or e-mail an executed copy of this letter to me as soon as possible, with the original to follow by mail.

Sincerely,

/s/ Robert Krakauer
Robert Krakauer
Executive Vice President, Corporate Operations,
and Chief Financial Officer
MagnaChip Semiconductor LLC

THIS EMPLOYMENT OFFER IS WHOLLY AGREED AND ACCEPTED BY:

/s/ Margaret Sakai
Margaret Sakai

MAGNACHIP SEMICONDUCTOR LLC
NOTICE OF GRANT OF UNIT OPTION
[Non-US Participants]

The Participant has been granted an option (the "***Option***") to purchase certain Common Units of MagnaChip Semiconductor LLC pursuant to the MagnaChip Semiconductor LLC 2009 Common Unit Plan (the "***Plan***"), as follows:

Participant: Margaret Sakai

Date of Grant: December 8, 2009

Number of Option Units: 336,000 subject to adjustment as provided by the Option Agreement.

Exercise Price: US$1.16

Initial Vesting Date: The date one (1) year after the Date of Grant

Option Expiration Date: The date ten (10) years after the Date of Grant

Local Law: The laws, rules and regulations of *[Name of Country]*, of which the Participant is a resident.

Vested Units: Except as provided in the Option Agreement and provided the Participant's Service has not terminated prior to the applicable date, the number of Vested Units (disregarding any resulting fractional Unit) as of any date is determined by multiplying the Number of Option Units by the cumulative "***Vested Ratio***" (not to exceed 1.0) determined as of such date as follows:

	Vested Ratio
Prior to Initial Vesting Date	0.00
On Initial Vesting Date	0.34
Plus, on completion of next period of three (3) months	0.09
Plus, on completion of each of next three (3) periods of three (3) months	0.08
Plus, on completion of next period of three (3) months	0.09
Plus, on completion of each of next three (3) periods of three (3) months	0.08

By their signatures below, the Company and the Participant agree that the Option and the Units that may be acquired upon the exercise of the Option are governed by this Grant Notice, by the provisions of the Plan and the Option Agreement, and by the Operating Agreement, all of which are attached to and made a part of this document. The Participant acknowledges receipt of copies of the Plan, the Option Agreement and the Operating Agreement, represents that the Participant has read and is familiar with their provisions, and hereby accepts the Option subject to all of their terms and conditions.

MAGNACHIP SEMICONDUCTOR LLC

By: /s/ Sang Park

Its: CEO & Chairman

Address: 891 Daechi-dong,
Gangnam-gu Seoul, Korea 135-738

PARTICIPANT

/s/ Margaret Sakai
Signature

12.18.2009
Date

Address

ATTACHMENTS: 2009 Common Unit Plan, as amended to the Date of Grant; Option Agreement and Exercise Notice; and Operating Agreement

MAGNACHIP SEMICONDUCTOR LLC
NOTICE OF GRANT OF RESTRICTED UNITS
[Non-US Participants]

The Participant has been granted an award (the "***Award***") of certain Common Units (the "***Units***") of MagnaChip Semiconductor LLC pursuant to the MagnaChip Semiconductor LLC 2009 Common Unit Plan (the "***Plan***"), as follows:

Participant:	Margaret Sakai
Date of Grant:	December 8, 2009
Total Number of Units:	336,000, subject to adjustment as provided by the Restricted Unit Agreement.
Fair Market Per Unit on Date of Grant:	US $0.74
Initial Vesting Date:	The Date of Grant
Local Law:	The laws, rules and regulations of [*Name of Country*], of which the Participant is a resident.
Vested Units:	Except as provided in the Restricted Unit Agreement and provided the Participant's Service has not terminated prior to the applicable date, the number of Vested Units (disregarding any resulting fractional Unit) as of any date is determined by multiplying the Total Number of Units by the cumulative "***Vested Ratio***" (not to exceed 1.0) determined as of such date as follows:

	Vested Ratio
Prior to Initial Vesting Date	0.0
On Initial Vesting Date	0.34
Plus, on completion of next period of one (1) year	0.33
Plus, on completion of next period of one (1) year	0.33

By their signatures below, the Company and the Participant agree that the Award is governed by this Grant Notice, by the provisions of the Plan and the Restricted Unit Agreement, and by the Operating Agreement, all of which are attached to and made a part of this document. The Participant acknowledges receipt of copies of the Plan, the Restricted Unit Agreement and the Operating Agreement, represents that the Participant has read and is familiar with their provisions, and hereby accepts the Award subject to all of their terms and conditions.

MAGNACHIP SEMICONDUCTOR LLC

By: /s/ Sang Park

Its: CEO & Chairman

Address: 891 Daechi-dong,
Gangnam-gu Seoul, Korea 135-738

PARTICIPANT

/s/ Margaret Sakai
Signature

12.18.2009
Date

Address

ATTACHMENTS: 2009 Common Unit Plan, as amended to the Date of Grant; Restricted Unit Agreement; Assignment Separate from Certificate; and Operating Agreement

891 Daechi-dong, Kangnam-gu, Seoul,
135-178, Korea
Tel: 82-2-3459-3675
Fax: 82-2-3459-3686
www. magnachip.com

Confidential

Dear Mr. Heung Kyu Kim

MagnaChip Semiconductor, Ltd. ("MagnaChip") is pleased to present you with an offer for employment in the position of Senior Vice President of New Business Development, reporting to Sang Park, CEO & Chairman. We believe that you have significant potential to make valuable contributions to MagnaChip, and we hope you will find your employment with us a rewarding experience.

You will be based at MagnaChip's Seoul office, but will be expected to travel as needed within Korea and to other destinations as the job may require. The expected start date of your employment is July 1, 2007.

Your annual salary will be KRW190,000,000 per annum. You will be paid in accordance with MagnaChip's normal payroll practices and your compensation will be subject to payroll deductions and all required withholdings. Annual salary increases will be determined by MagnaChip in accordance with MagnaChip's internal policies and procedures. You will be eligible to earn an annual incentive of up to 60% of your base salary. The annual incentive will be based on company performance and attainment of your management objectives under a plan to be established and approved the Board of Directors of MagnaChip's parent company (the "Board"). MagnaChip may from time to time in its sole discretion adjust the salary and benefits paid to you and its other employees in the normal course of operations.

Upon approval by the Board of Directors of MagnaChip Semiconductor LLC (the "Board"), you will be granted options to purchase 60,000 MagnaChip Semiconductor LLC common units (the "Option") pursuant to the MagnaChip Semiconductor LLC Equity Incentive Plan at the exercise price of the greater of (i) $3.00 per common unit or (ii) the fair market value of a common unit at the time you begin your employment. An installment of 25% of the common units subject to the Option shall become vested and exercisable on the first anniversary of the commencement date of your employment and 6.25% of the common units subject to the Option shall become vested and exercisable at the end of each three month period thereafter on the same day of the month as the commencement date (or, if earlier, the last day of such month), subject to your continuing employment with the Company. Other terms of the Option shall be as determined by the Board, and prior to receiving the Option you must execute an option agreement in the form as approved by the Board. In addition to that, MagnaChip will pay sign-on bonus of up to KRW50,000,000 for HBS tuition sponsorship reimbursement; provided, however, that MagnaChip will pay such reimbursement only upon receiving receipts and other documentation acceptable to MagnaChip, and provided, further, however, that you must fully refund such reimbursement to the Company in the event your employment terminates for any reason prior to

the first anniversary of your employment start date. The Company will also furnish a company car to allow you to commute to and from work.

As an employee of MagnaChip organization, you will be expected to abide by MagnaChip's rules and regulations and sign and comply with MagnaChip's form employment agreement for employees based in Korea that includes confidentiality and non-competition provisions. Your employment relationship with MagnaChip is at-will, although you will be eligible for severance programs as required by Korean law. You may terminate your employment with MagnaChip at any time and for any reason whatsoever simply by notifying us, although you agree to provide one month's notice prior to your resignation. Likewise, MagnaChip may terminate your employment in accordance with Korean law.

This letter forms the complete and exclusive offer of your employment with MagnaChip. No other representative has any authority to modify or enter into an agreement or modification, express or implied, contrary to the foregoing. Any such modification or agreement must be in writing and signed by Sang Park and must clearly and expressly specify intent to change the at-will nature of your employment.

We look forward to your participation in the future growth of MagnaChip. Please indicate your acceptance of this offer of employment by signing in the space below. Please fax or e-mail an executed copy of this letter to me as soon as possible, with the original to follow by mail.

Sincerely,

/s/ Sang Park
Sang Park/CEO & Chairman
MagnaChip Semiconductor, Ltd.

THIS EMPLOYMENT OFFER IS WHOLLY AGREED AND ACCEPTED BY:

/s/ Heung Kyu Kim
Heung Kyu Kim

Exhibit 10.40

MAGNACHIP SEMICONDUCTOR LLC
NOTICE OF GRANT OF UNIT OPTION
[Non-US Participants]

The Participant has been granted an option (the ***"Option"***) to purchase certain Common Units of MagnaChip Semiconductor LLC pursuant to the MagnaChip Semiconductor LLC 2009 Common Unit Plan (the ***"Plan"***), as follows:

Participant:	Heungkyu Kim
Date of Grant:	December 8, 2009
Number of Option Units:	560,000, subject to adjustment as provided by the Option Agreement.
Exercise Price:	US $ 1.16
Initial Vesting Date:	The date one (1) year after the Date of Grant
Option Expiration Date:	The date ten (10) years after the Date of Grant
Local Law:	The laws, rules and regulations of *[Name of Country]*, of which the Participant is a resident.
Vested Units:	Except as provided in the Option Agreement and provided the Participant's Service has not terminated prior to the applicable date, the number of Vested Units (disregarding any resulting fractional Unit) as of any date is determined by multiplying the Number of Option Units by the cumulative ***"Vested Ratio"*** (not to exceed 1.0) determined as of such date as follows:

	Vested Ratio
Prior to Initial Vesting Date	0.00
On Initial Vesting Date	0.34
Plus, on completion of next period of three (3) months	0.09
Plus, on completion of each of next three (3) periods of three (3) months	0.08
Plus, on completion of next period of three (3) months	0.09
Plus, on completion of each of next three (3) periods of three (3) months	0.08

By their signatures below, the Company and the Participant agree that the Option and the Units that may be acquired upon the exercise of the Option are governed by this Grant Notice, by the provisions of the Plan and the Option Agreement, and by the Operating Agreement, all of which are attached to and made a part of this document. The Participant acknowledges receipt of copies of the Plan, the Option Agreement and the Operating Agreement, represents that the Participant has read and is familiar with their provisions, and hereby accepts the Option subject to all of their terms and conditions.

MAGNACHIP SEMICONDUCTOR LLC

By: /s/ Sang Park

Its: CEO & Chairman

Address: 891 Daechi-dong,
Gangnam-gu Seoul, Korea 135-738

PARTICIPANT

/s/ Heungkyu Kim
Signature

Dec. 18, 2009
Date

Address

ATTACHMENTS: 2009 Common Unit Plan, as amended to the Date of Grant; Option Agreement and Exercise Notice; and Operating Agreement

Exhibit 10.41

MAGNACHIP SEMICONDUCTOR LLC
NOTICE OF GRANT OF RESTRICTED UNITS
[Non-US Participants]

The Participant has been granted an award (the ***"Award"***) of certain Common Units (the "***Units***") of MagnaChip Semiconductor LLC pursuant to the MagnaChip Semiconductor LLC 2009 Common Unit Plan (the ***"Plan"***), as follows:

Participant:	Heungkyu Kim
Date of Grant:	December 8, 2009
Total Number of Option Units:	280,000, subject to adjustment as provided by the Restricted Unit Agreement.
Fair Marker Per Unit on Date of Grant:	US $ 0.74
Initial Vesting Date:	The Date of Grant
Local Law:	The laws, rules and regulations of *[Name of Country]*, of which the Participant is a resident.
Vested Units:	Except as provided in the Restricted Unit Agreement and provided the Participant's Service has not terminated prior to the applicable date, the number of Vested Units (disregarding any resulting fractional Unit) as of any date is determined by multiplying the Total Number of Units by the cumulative ***"Vested Ratio"*** (not to exceed 1.0) determined as of such date as follows:

	Vested Ratio
Prior to Initial Vesting Date	0.0
On Initial Vesting Date	0.34
Plus, on completion of next period of one (1) year	0.33
Plus, on completion of next period of one (1) year	0.33

By their signatures below, the Company and the Participant agree that the Award is governed by this Grant Notice, by the provisions of the Plan and the Restricted Unit Agreement, and by the Operating Agreement, all of which are attached to and made a part of this document. The Participant acknowledges receipt of copies of the Plan, the Restricted Unit Agreement and the Operating Agreement, represents that the Participant has read and is familiar with their provisions, and hereby accepts the Award subject to all of their terms and conditions.

MAGNACHIP SEMICONDUCTOR LLC

By: /s/ Sang Park

Its: CEO & Chairman

Address: 891 Daechi-dong,
Gangnam-gu Seoul, Korea 135-738

PARTICIPANT

/s/ Heungkyu Kim
Signature

Dec. 18, 2009
Date

Address

ATTACHMENTS: 2009 Common Unit Plan, as amended to the Date of Grant; Restricted Unit Agreement; Assignment Separate from Certificate; and Operating Agreement

891 Daechi-dong, Gangnam-gu Seoul,
135-178 Korea
Tel: 82-2-3459-3675
Fax: 82-2-3459-3686
www.magnachip.com

Confidential

June 20, 2007

Dear Dr. Taejong Lee

MagnaChip Semiconductor, Ltd. ("MagnaChip") is pleased to present you with an offer for employment in the position of VP of Corporate Engineering, reporting to Sang Park, CEO/Chairman of MagnaChip Semiconductor Ltd. We believe that you have significant potential to make valuable contributions to MagnaChip, and we hope you will find your employment with us a rewarding experience.

You will be based at MagnaChip's office in Seoul and Cheongju, Korea, but will be expected to travel as needed within Korea and to other destinations as the job may require. The expected start date of your employment is September 03, 2007.

Your annual salary will be KRW 170,000,000 per annum. You will be paid in accordance with MagnaChip's normal payroll practices and your compensation will be subject to payroll deductions and all required withholdings. Annual salary increases will be determined by MagnaChip in accordance with MagnaChip's internal policies and procedures. In addition, you will be paid a sign-on of KRW20,000,000 on the first normal pay day date after your employment begins, provided that, should you resign for any reason or be terminated for cause at any time prior to completion of one year of employment with the Company, you must pay the pro-rated amount of sign-on bonus to the Company. MagnaChip may from time to time in its sole discretion adjust the salary and benefits paid to you and its other employees in the normal course of operations. Your target annual incentive is targeted to be 50% of your base salary. The annual incentive will be based on company performance and attainment of your management objectives under a plan to be established and approved by the Board of Directors of MagnaChip's parent company. MagnaChip may from time to time in its sole discretion adjust the salary and benefits paid to you and its other employees in the normal course of operations.

Upon Approval by the Board of Directors of MagnaChip Semiconductor LLC (the "Board), you will be granted options to purchase 40,000 MagnaChip common units (the "Option") pursuant to the MagnaChip Semiconductor LLC Equity Incentive Plan at the exercise price per common unit of the greater of (i) $3.00 or (ii) the fair market value of a common unit. An installment of 25% of the common units subject to the option shall become vested and exercisable on the first anniversary of the commencement date of your employment and 6.25% of the common units subject to the option shall become vested and exercisable at the end of each three month period thereafter on the same day of the month as the commencement date (or, if earlier, the last day of such month), subject to your continuing employment with the Company. Other terms of the option shall be as determined by the Board, and

prior to receiving the option you must execute an option agreement in the form as approved by the Board.

You will be eligible to participate in MagnaChip's employee benefits programs for which you qualify and as are applicable to other MagnaChip employees of your level based in Korea. In addition to that, you shall be entitled to the following benefits:

(a) School tuition for children. MagnaChip will reimburse middle and high school tuition for your two children at a foreign school upon receiving a tuition receipt and other documentation acceptable to MagnaChip. The reimbursement amount shall not exceed KRW32,400,000 in total per each year's reimbursement.

(b) Housing support. MagnaChip will reimburse temporary housing fee in the amount of up to KRW4,000,000 for your first month of employment upon receiving a receipt and/or other documentation acceptable to MagnaChip. You will also be provided with housing allowance in the amount of KRW3,600,000 per month upon receiving a receipt and/or other documentation acceptable to MagnaChip..

(c) Moving expenses & Others. MagnaChip will pay reasonable, fully justified moving expenses in the amount of up to KRW8,000,000 upon receiving a receipt and/or other documentation acceptable to MagnaChip. MagnaChip will also pay one-way airline tickets from your country origin to Korea in economy class for you, and upon their relocation to Korea, for your spouse and up to two children upon receiving a receipt and/or other documentation acceptable to MagnaChip.

As an employee of MagnaChip organizations, you will expected to abide by MagnaChip's rules and regulations and sign and comply with MagnaChip's form employment agreement for employees based in Korea that includes confidentiality and non-competition provisions. Your employment relationship with MagnaChip is at-will, although you will be eligible for severance programs as required by Korean law. You may terminate your employment with MagnaChip at any time and for any reason whatsoever simply by notifying us, although you agree to provide one month's notice prior to your resignation. Likewise, MagnaChip may terminate your employment in accordance with Korean law.

As an employee in the MagnaChip organization, you will be expected to abide by MagnaChip's rules and regulations and sign and comply with MagnaChip's form employment agreement for employees who are Korean citizens and based in Korea that includes confidentiality and non-competition provisions.

This letter forms the complete and exclusive offer of your employment with MagnaChip. No other representative has any authority to modify or enter into an agreement or modification, express or implied, contrary to the foregoing. Any such modification or agreement must be in writing and signed by Sang Park, Robert Krakauer or Dongjin Kim and must clearly and expressly specify an intent to change the at-will nature of your employment.

We look forward to your participation in the future growth of MagnaChip. Please indicate your acceptance of this offer of employment by signing in the space below. Please fax or e-mail an executed copy of this letter to me as soon as possible, with the original to follow by mail.

Sincerely,

MAGNACHIP SEMICONDUCTOR, LTD.

/s/ Sang Park
Sang Park
CEO/Chairman
MagnaChip Semiconductor, Ltd.

THIS EMPLOYMENT OFFER IS WHOLLY AGREED AND ACCEPTED BY:

Dr. Taejong Lee

Signature: /s/ Taejong Lee

MAGNACHIP SEMICONDUCTOR LLC
NOTICE OF GRANT OF UNIT OPTION
[Non-US Participants]

The Participant has been granted an option (the ***"Option")*** to purchase certain Common Units of MagnaChip Semiconductor LLC pursuant to the MagnaChip Semiconductor LLC 2009 Common Unit Plan (the ***"Plan"),*** as follows:

Participant: Taejong Lee

Date of Grant: December 8, 2009

Number of Option Units: 392,000, subject to adjustment as provided by the Option Agreement.

Exercise Price: US $1.16

Initial Vesting Date: The date one (1) year after the Date of Grant

Option Expiration Date: The date ten (10) years after the Date of Grant

Local Law: The laws, rules and regulations of *[Name of Country]*, of which the Participant is a resident.

Vested Units: Except as provided in the Option Agreement and provided the Participant's Service has not terminated prior to the applicable date, the number of Vested Units (disregarding any resulting fractional Unit) as of any date is determined by multiplying the Number of Option Units by the cumulative ***"Vested Ratio"*** (not to exceed 1.0) determined as of such date as follows:

	Vested Ratio
Prior to Initial Vesting Date	0.00
On Initial Vesting Date	0.34
Plus, on completion of next period of three (3) months	0.09
Plus, on completion of each of next three (3) periods of three (3) months	0.08
Plus, on completion of next period of three (3) months	0.09
Plus, on completion of each of next three (3) periods of three (3) months	0.08

By their signatures below, the Company and the Participant agree that the Option and the Units that may be acquired upon the exercise of the Option are governed by this Grant Notice, by the provisions of the Plan and the Option Agreement, and by the Operating Agreement, all of which are attached to and made a part of this document. The Participant acknowledges receipt of copies of the Plan, the Option Agreement and the Operating Agreement, represents that the Participant has read and is familiar with their provisions, and hereby accepts the Option subject to all of their terms and conditions.

MAGNACHIP SEMICONDUCTOR LLC

By: /s/ Sang Park

Its: CEO & Chairman

Address: 891 Daechi-dong,
Gangnam-gu Seoul, Korea 135-738

PARTICIPANT

/s/ Taejong Lee
Signature

Dec. 18, 2009
Date

Address

ATTACHMENTS: 2009 Common Unit Plan, as amended to the Date of Grant; Option Agreement and Exercise Notice; and Operating Agreement

MAGNACHIP SEMICONDUCTOR LLC
NOTICE OF GRANT OF RESTRICTED UNITS
[Non-US Participants]

The Participant has been granted an award (the ***"Award")*** of certain Common Units (the ***"Units")*** of MagnaChip Semiconductor LLC pursuant to the MagnaChip Semiconductor LLC 2009 Common Unit Plan (the ***"Plan***"), as follows:

Participant:	Taejong Lee
Date of Grant:	December 8, 2009
Total Number of Units:	168,000, subject to adjustment as provided by the Restricted Unit Agreement.
Fair Market Per Unit on Date of Grant:	US $ 0.74
Initial Vesting Date:	The Date of Grant
Local Law:	The laws, rules and regulations of *[Nome of Country]*, of which the Participant is a resident.
Vested Units:	Except as provided in the Restricted Unit Agreement and provided the Participant's Service has not terminated prior to the applicable date, the number of Vested Units (disregarding any resulting fractional Unit) as of any date is determined by multiplying the Total Number of Units by the cumulative ***"Vested Ratio"*** (not to exceed 1.0) determined as of such date as follows:

	Vested Ratio
Prior to Initial Vesting Date	0.0
On Initial Vesting Date	0.34
Plus, on completion of next period of one (1) year	0.33
Plus, on completion of next period of one (1) year	0.33

By their signatures below, the Company and the Participant agree that the Award is governed by this Grant Notice, by the provisions of the Plan and the Restricted Unit Agreement, and by the Operating Agreement, all of which are attached to and made a part of this document. The Participant acknowledges receipt of copies of the Plan, the Restricted Unit Agreement and the Operating Agreement, represents that the Participant has read and is familiar with their provisions, and hereby accepts the Award subject to all of their terms and conditions.

MAGNACHIP SEMICONDUCTOR LLC

By: /s/ Sang Park

Its: CEO & Chairman

Address: 891 Daechi-dong,
Gangnam-gu Seoul, Korea 135-738

PARTICIPANT

/s/ Taejong Lee
Signature

Dec. 18, '09
Date

Address

ATTACHMENTS: 2009 Common Unit Plan, as amended to the Date of Grant; Restricted Unit Agreement; Assignment Separate from Certificate; and Operating Agreement

SERVICE AGREEMENT

THIS SERVICE AGREEMENT ("Agreement") is executed by and between MagnaChip Semiconductor, Ltd., a Korean limited liability company (the "Company"), and John McFarland, an individual (the "Officer"), effective as April 1, 2006.

WHEREAS, the Officer began his employment with the Company on November 22, 2004, pursuant to an offer letter entered by and between the Officer and the Company (the "Offer Letter") and now the Company and the Officer wish to modify the current terms of the Officer's employment and memorialize such terms in this Agreement.

NOW, THEREFORE, in consideration of the foregoing premises, the mutual covenants, terms and conditions set forth herein, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Officer hereby agree as follows:

1. EFFECTIVENESS OF SERVICE AGREEMENT

This Agreement shall constitute a binding obligation of the Officer and the Company as of April 1, 2006 (the "Effective Date").

2. EMPLOYMENT AND DUTIES

(a) General. The Company shall hereby employ the Officer as Senior Vice President, General Counsel, and Secretary, and the Officer agrees upon the terms and conditions herein set forth to be employed by the Company. The Officer shall diligently perform such duties and have such responsibilities as the Board of Directors of the Company may establish from time to time, and the Officer shall report to the Executive Vice President, Strategic Operations and Chief Financial Officer of the Company.

(b) Term. Unless terminated at an earlier date in accordance with Section 4 below, the term of the Officer's employment with the Company hereunder shall be for a term commencing on the Effective Date and ending on the third anniversary of the Effective Date (the "Initial Term"). Thereafter, unless terminated at an earlier date in accordance with Section 4 below, the Initial Term and each Additional Term shall be automatically extended for successive one-year periods (each, an "Additional Term"), in each case, commencing upon the expiration of the Initial Term or the then-current Additional Term, unless at least 90 days prior to the expiration of such term, either party gives written notice to the other party of its intention not to extend the term of the Officer's employment.

(c) Services. The Officer shall well and faithfully serve the Company, and shall devote all of the Officer's business time and attention to the performance of the duties of such employment and the advancement of the best interests of the Company and shall not, directly or indirectly, render services to any other person or organization for which the Officer receives compensation without the prior written approval of the Company. The Officer hereby agrees to refrain from engaging in any activity that does, shall or could reasonably be deemed to conflict with the best interests of the Company.

(d) Location of Employment. The Officer's place of employment shall be at the Company's facility located in Seoul, Korea, but the Officer shall travel to the extent and to the places necessary for the performance of the Officer's duties to the Company.

3. COMPENSATION AND OTHER BENEFITS

Subject to the provisions of this Agreement, including, without limitation, the termination provisions contained in Section 4 below, the Company shall pay and provide the following compensation and other benefits to the Officer as compensation for all services rendered hereunder:

(a) Salary. The Company shall pay the Officer a base salary at the rate of KRW175,000,000 (the "Salary"), payable to the Officer in accordance with the standard payroll practices of the Company as are in effect from time to time, less all such deductions or withholdings required by applicable law. The Salary is payable in Korean won to a bank account designated from time to time by the Officer. Should the Officer's place of employment be moved outside Korea, the Officer and the Company agree to reasonably determine an equivalent salary payable in U.S. dollars. Annual salary increases will be determined by the compensation committee of the Board of Directors of the Company (the "Committee") in accordance with the Committee's policies and procedures.

(b) Annual Incentive. The Officer shall be eligible to earn an annual cash bonus in accordance with the annual short-term incentive plan approved annually by the compensation committee of the Company (the "Annual Incentive"). The Annual Incentive shall be a target of 50% of the Officer's annual salary.

(c) Expenses. The Company shall pay or reimburse the Officer for all reasonable out-of-pocket expenses incurred by the Officer in connection with the Officer's employment hereunder upon submission of appropriate documentation or receipts in accordance with the policies and procedures of the Company as are in effect from time to time.

(d) Benefits. The Officer shall be eligible to participate in or purchase as necessary and be reimbursed for medical, disability and life insurance plans and to receive other benefits applicable to senior officers of the Company generally in accordance with the terms of such plans as are in effect from time to time. The Officer shall be entitled to the following expatriate benefits:

(i) Visas and Work Permits. The Company will provide the necessary services and cover the cost to obtain the necessary visas and/or work permits to enable the Officer and the Officer's family to legally work and stay in Korea for the duration that the Officer is assigned to perform services in Korea.

(ii) School Tuition for Child. The Company will pay gross tuition, including school bus fees, for the Officer's one minor child at a foreign school in Korea.

(iii) Tax Treatment. The Company shall provide for tax equalization (to U.S. federal and California state) for all salary and benefits commencing in the tax year when the expatriate assignment begins through the end of the tax year of repatriation (regardless of whether the Officer is still employed by the Company at that time). The Officer shall minimize U.S. taxes as permitted by Section 901 and 911 of the Internal Revenue Code. For the avoidance of doubt, this provision shall be interpreted to mean that the Officer's total tax liability shall not be higher than it would have been had the Officer remained in the U.S. The Company will provide tax preparation services to assist the Officer with the preparation of the Officer's personal income tax returns for the U.S. and Korea.

(e) Vacation. The Officer shall be entitled to annual vacation of three weeks per year.

(f) Equity. The Officer has been granted options to purchase 30,000 units of MagnaChip Semiconductor LLC common units at a price of $1.00 per unit. Effective as of the Effective Date, the Officer will be granted options to purchase an additional 25,000 MagnaChip Semiconductor LLC common units (the "Option") pursuant to the MagnaChip Semiconductor LLC Equity Incentive Plan at a purchase price equal to $2.00 per common unit. Twenty-five percent of the Option will vest upon

the earlier of (i) the first closing of a firmly underwritten public offering for any equity securities of the Company, (ii) the date as designated by the compensation committee of the Board as the date upon which the unitholders of the company as of October 6, 2004, have achieved a 2.5x return on their investment. The remaining 75% of the Option will vest at the rate of 25% on each of the three successive annual anniversaries of the first vesting event. Other terms of the Option shall be as determined by the Board of Directors of MagnaChip Semiconductor LLC but shall not be less favorable than the terms of options granted to other Company employees.

(g) Indemnification. To the fullest extent permitted by law and the governing documents of the Company, the Company will indemnify and hold the Officer harmless from and against all losses, costs, and expenses arising from or relating to the Officer's services as an officer or employee of the Company.

4. TERMINATION OF EMPLOYMENT

Subject to the notice and other provisions of this Section 4, the Company shall have the right to terminate the Officer's employment hereunder, at any time for any reason or for no stated reason, and the Officer shall have the right to resign, at any time for any reason or for no stated reason.

(a) Termination for Cause or Resignation.

(i) If, prior to the expiration of the Initial Term or any Additional Term, the Officer's employment is terminated by the Company for Cause, the Officer shall be entitled to payment of (A) the Officer's Salary accrued up to and including the date of termination or resignation, and any unreimbursed expenses. Except to the extent required by the terms of the benefits provided under Section 3(f) or applicable law, the Officer shall have no right under this Agreement or otherwise to receive any other compensation or to participate in any other plan, program or arrangement after such termination or resignation of employment with respect to the year of such termination or resignation and later years. The treatment of any outstanding options held by the Officer as of the date of the termination shall be governed by the agreements and equity incentive plans pursuant to which the options were granted.

(ii) Termination for "Cause" shall mean a termination of the Officer's employment with the Company because of (A) a failure by the Officer to substantially perform the Officer's customary duties with the Company in the ordinary course (other than such failure resulting from the Officer's incapacity due physical or mental illness) that, if susceptible to cure, has not been cured as determined by the Company within 30 days after a written demand for substantial performance is delivered to the Officer by the Company, which demand specifically identifies the manner in which the Company believes that the Officer has not substantially performed the Officer's duties; (B) the Officer's gross negligence, intentional misconduct or fraud in the performance of the Officer's employment; (C) the Officer's indictment for a felony or for a crime involving fraud or dishonesty; (D) a judicial determination that the Officer committed fraud or dishonesty against any natural person, firm, partnership, limited liability company, association, corporation, company, trust, business trust, governmental authority or other entity (each, a "Person"); or (E) the Officer's material violation of this Agreement or of one or more of the Company's policies applicable to the Officer's employment as may be in effect from time to time.

(iii) Termination of the Officer's employment for Cause shall be communicated by delivery to the Officer of a written notice from the Company stating that the Officer will be terminated for Cause, specifying the particulars thereof and the effective date of such termination. If the Company provides such written notice to the Officer, to the extent the Officer is being terminated for a failure to perform the Officer's customary duties, as described in Section 4(a)(ii)(A) above, the Officer shall have 30 days from the date of receipt

of such notice to effect a cure and, upon cure thereof by the Company, such failure to perform shall no longer constitute Cause for purposes of this Agreement.

(b) Involuntary Termination.

(i) If, prior to the expiration of the Initial Term or any Additional Term, the Company terminates the Officer's employment for any reason other than Disability, death or Cause (such termination or resignation being hereinafter referred to as an "Involuntary Termination"), the Officer shall be entitled to (A) payment of the Officer's Salary accrued up to and including the date of the Involuntary Termination, (B) the dollar value of all accrued and unused vacation benefits based upon the Officer's most recent level of Salary, (C) any Annual Incentive amount actually earned pursuant to Section 3(b) for one or more fiscal years but not previously paid to the Officer, (D) payment of any unreimbursed expenses, and (E) severance (the "Severance"), consisting of:

(1) continuation of the Officer's Salary, at the rate in effect on the date of the Involuntary Termination, for a period of six months, commencing on the date next following the date of the Involuntary Termination;

(2) six months' Company-paid benefits continuation for the Officer and the Officer's eligible dependents; and

(3) payment of the Annual Incentive, in a prorated amount based on the number of days the Officer was actually employed during the applicable plan year and on deemed satisfactory performance by the Officer, but based on actual performance objectives satisfied by the Company, payable in a lump sum payment within 30 days after the date that the Annual Incentive is normally paid under the terms of the plans and policies of the Company (but in no event more than 12 months following the date of the Involuntary Termination);

provided, however, that the Severance payable to the Officer pursuant to this section shall be reduced to the extent that the Company makes any severance payments pursuant to the Korean Commercial Code or any other statute.

(ii) The date of termination of employment without Cause shall be the date specified in a written notice of termination to the Officer.

(c) Termination Due to Disability. In the event of the Officer's Disability, the Company shall be entitled to terminate the Officer's employment. In the case that the Company terminates the Officer's employment due to Disability, the Officer shall be entitled to (i) payment of the Officer's Salary up to and including the date of termination, (ii) the dollar value of all accrued and unused vacation benefits based upon the Officer's most recent level of Salary, (iii) any Annual Incentive amount actually earned pursuant to Section 3(b) for one or more fiscal years but not previously paid to the Officer, (iv) payment of any unpaid expense reimbursements, and (v) payment of the Annual Incentive, in a prorated amount based on the number of days the Officer was actually employed during the applicable plan year, based on actual performance objectives satisfied by the Company, payable in a lump sum payment within 30 days of the date that the Annual Incentive is normally paid under the terms of the plans and policies of the Company. As used in this Section 4(c), the term "Disability" shall mean that the Company reasonably determines that due to physical or mental illness or incapacity, whether total or partial, the Officer is substantially unable to perform the Officer's duties hereunder for a period of 180 consecutive days or shorter periods aggregating 180 days during any period of 365 consecutive days. The Officer shall permit a licensed physician agreed to by the Company and the Officer (or, in the event that the Company and the Officer cannot agree, by a licensed physician agreed upon by a physician selected by the Company and a physician selected by the Officer) to examine the Officer from time to time prior to the Officer's being determined to be

Disabled, as reasonably requested by the Company, to determine whether the Officer has suffered a Disability hereunder.

(d) Death. In the event of the Officer's death while employed by the Company, the Officer's estate or named beneficiary shall be entitled to (i) payment of the Officer's Salary up to and including the date of termination, (ii) the dollar value of all accrued and unused vacation benefits based upon the Officer's most recent level of Salary, (iii) any Annual Incentive amount actually earned pursuant to Section 3(b) for one or more fiscal years but not previously paid to the Officer, (iv) payment of any unpaid expense reimbursements, and (v) payment of the Annual Incentive, in a prorated amount based on the number of days the Officer was actually employed during the applicable plan year payable in a lump sum payment within 30 days of the date that the Annual Incentive is normally paid under the terms of the plans and policies of the Company.

5. COVENANTS

(a) Confidential Information. As an officer of the Company, the Officer acknowledges that the Officer has had and will have access to confidential or proprietary information or both relating to the business of, or belonging to, the Company or any affiliates or third parties including, but not limited to, proprietary or confidential information, technical data, trade secrets, or know-how in respect of research, product plans, products, services, customer lists, customers, markets, computer software (including object code and source code), data and databases, outcomes research, documentation, instructional material, developments, inventions, processes, formulas, technology, designs, drawings, engineering, hardware, configuration information, models, manufacturing processes, sales information, cost information, business plans, business opportunities, marketing, finances or other business information disclosed to the Officer in any manner including by drawings or observations of parts or equipment, etc., all of which have substantial value to the Company (collectively, "Confidential Information").

(i) The Officer agrees that while employed with the Company and after the termination of the Officer's employment for any reason, the Officer shall not: (A) use any Confidential Information except in the course of the Officer's employment by the Company; or (B) disclose any Confidential Information to any other person or entity, except to personnel of the Company utilizing it in the course of their employment by the Company or to persons identified to the Officer in writing by the Company, without the prior written consent of the Company.

(ii) While the Officer is employed with the Company and after the termination of the Officer's employment for any reason, the Officer shall respect and adhere to any non-disclosure, confidentiality or similar agreements to which the Company or any of its affiliates are, or during the period of the Officer's employment by the Company, become, a party or subject. Upon the request of the Officer, the Company shall disclose to the Officer any such agreements to which it is a party or is subject.

(iii) The Officer hereby confirms that all Confidential Information and "Company Materials" (as hereinafter defined) are and shall remain the exclusive property of the Company. Immediately upon the termination of the Officer's employment for any reason, or during the Officer's employment with the Company upon the request of the Company, the Officer shall return all Company Materials, or any reproduction of such materials, apparatus, equipment and other physical property. For purposes of this Agreement, "Company Materials" are documents or other media or tangible items that contain or embody Confidential Information or any other information concerning the business, operations or plans of the Company, whether such documents have been prepared by the Officer or others.

(b) Disclosure of Previously Acquired Information to Company. The Officer hereby agrees not to disclose to the Company, and not to induce the Company to utilize, any proprietary

information or trade secrets of any other party that are in the Officer's possession, unless and to the extent that the Officer has authority to do so.

(c) Non-Competition. While the Officer is employed by the Company and, after the Officer's termination of employment for any reason, until the earlier of (i) the first anniversary of the date of termination and (ii) November 22, 2007, the Officer (and any entity or business in which the Officer or any affiliate of the Officer has any direct or indirect ownership or financial interest) shall not, except with the prior written consent of the Board of Directors, directly or indirectly, own any interest in, operate, join, control or participate as a partner, director, principal, officer, or agent of, enter into any employment of, act as a consultant to, or perform any services for any business which at any time during such period is in competition with any business in which the Company, or any of its affiliates, is planning to be engaged in the near future or is engaged on or prior to the termination of Officer's employment by the Company, anywhere in the world. This provision shall not be construed to prohibit the ownership by the Officer of less than 2% of any class of securities of any corporation that has a class of securities registered pursuant to the Securities Exchange Act of 1934, as amended, so long as the Officer remains a passive investor in such entity.

(c) No Solicitation. While the Officer is employed by the Company and for a two-year period thereafter, the Officer shall not, directly or indirectly, for the Officer's own account or for the account of any other Person (i) solicit, employ, retain as a consultant, interfere with or attempt to entice away from the Company or any of its affiliates, or any successor to any of the foregoing, any individual who is, has agreed to be or within one year of such solicitation, employment, retention, interference or enticement has been, employed or retained by the Company or any of its subsidiaries or any successor to any of the foregoing or (ii) solicit or attempt to solicit the trade of any Person which, at the time of such solicitation, is a customer of the Company or its affiliates, or any successor to any of the foregoing, or which the Company or its affiliates, or any successor to any of the foregoing, is undertaking reasonable steps to procure as a customer at the time of or immediately preceding the termination of Officer's employment by the Company; provided, however, that this limitation shall only apply to any product or service which is in competition with a product or service of the Company or its affiliates.

(d) Non-Disparagement. The Officer and the Company agree that at any time during the Officer's employment with the Company or at any time thereafter, neither the Company nor the Officer shall make, or cause or assist any other person to make, any statement or other communication which impugns or attacks, or is otherwise critical of, the reputation, business or character of the other, any subsidiary or any of their respective officers, directors, employees, products or services. The foregoing restrictions shall not apply to any statements that are made truthfully in response to a subpoena or other compulsory legal process.

(e) Enforcement. The Officer hereby acknowledges that the Officer has carefully reviewed the provisions of this Agreement and agrees that the provisions are fair and equitable. However, in light of the possibility of differing interpretations of law and change in circumstances, the parties hereto agree that if any one or more of the provisions of this Agreement is determined by a court of competent jurisdiction to be invalid, void or unenforceable under circumstances then existing, the parties hereto agree that the maximum period, scope or geographical area reasonable or enforceable under such circumstances shall be substituted for the stated period, scope or area.

6. GENERAL PROVISIONS

(a) Tax Withholding. All amounts paid to the Officer hereunder shall be subject to all applicable federal, state, and local wage withholding.

(b) Notices. Any notice hereunder by either party to the other shall be given in writing by personal delivery, or certified mail, return receipt requested, or (if to the Company) by telex or facsimile, in any case delivered to the applicable address set forth below:

(i) If to the Company: MagnaChip Semiconductor, Ltd.
891 Daechi-dong, Kangnam-gu
Seoul 135-738 Korea
Fax: 82-2-3459-3898
Attn: Executive Vice President, Strategic Operations and Chief Financial Officer

(ii) If to the Officer: at the last known residential address on the personnel records of the Company;

or to such other persons or other addresses as either party may specify to the other in writing.

(c) Assignment; Assumption of Agreement. This Agreement shall not be assignable, in whole or in part, by either party without the prior written consent of the other party, except as provided herein. The Company may assign its rights and obligations under this Agreement to any corporation or other business entity (i) which is an affiliate of the Company, (ii) with which the Company may merge or consolidate, or (iii) to which the Company may sell or transfer all or substantially all of its assets or 50% or more of the voting stock entitled to elect the members of the Board of Directors of the Company, provided that in each case such successor company expressly assumes the Company's obligations hereunder in writing. After any such assignment by the Company, the Company shall be discharged from all further liability hereunder and such assignee shall thereafter be deemed to be the "Company" for purposes of all terms and conditions of this Agreement, including this Section 6(c). For purposes of this Section 6(c), "affiliate" means any company that the Company controls, that controls the Company, or that is under common control with the Company.

(d) Amendment. No provision of this Agreement may be amended, modified, waived or discharged unless such amendment, modification, waiver or discharge is agreed to in writing and signed by the parties. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

(e) Severability. If any term or provision hereof is determined to be invalid or unenforceable in a final court or arbitration proceeding, (i) the remaining terms and provisions hereof shall be unimpaired and (ii) the invalid or unenforceable term or provision shall be deemed replaced by a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision.

(f) Governing Law and Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, and the venue for all disputes arising out of this Agreement shall be the state or federal courts located therein.

(g) Entire Agreement. This Agreement contains the entire agreement of the Officer, the Company and any predecessors or affiliates thereof with respect to the subject matter hereof and all prior agreements and negotiations are superseded hereby as of the date of this Agreement.

(h) Counterparts. This Agreement may be executed by the parties hereto in counterparts, each of which shall be deemed an original, but both such counterparts shall together constitute one and the same document.

IN WITNESS WHEREOF, the Company and Officer have executed this Agreement effective as of the Effective Date.

MAGNACHIP SEMICONDUCTOR, LTD.

By: /s/ Dr. Youm Huh
Name: Dr. Youm Huh
Title: Representative Director

OFFICER

/s/ John McFarland
John McFarland

[Signature Page to Service Agreement]

MAGNACHIP SEMICONDUCTOR LLC
NOTICE OF GRANT OF UNIT OPTION
[Non-US Participants]

The Participant has been granted an option (the ***"Option")*** to purchase certain Common Units of MagnaChip Semiconductor LLC pursuant to the MagnaChip Semiconductor LLC 2009 Common Unit Plan (the ***"Plan"),*** as follows:

Participant:	John McFarland
Date of Grant:	December 8, 2009
Number of Option Units:	224,000, subject to adjustment as provided by the Option Agreement.
Exercise Price:	US $1.16
Initial Vesting Date:	The date one (1) year after the Date of Grant
Option Expiration Date:	The date ten (10) years after the Date of Grant
Local Law:	The laws, rules and regulations of *[Name of Country]*, of which the Participant is a resident.
Vested Units:	Except as provided in the Option Agreement and provided the Participant's Service has not terminated prior to the applicable date, the number of Vested Units (disregarding any resulting fractional Unit) as of any date is determined by multiplying the Number of Option Units by the cumulative "***Vested Ratio***" (not to exceed 1.0) determined as of such date as follows:

	Vested Ratio
Prior to Initial Vesting Date	0.00
On Initial Vesting Date	0.34
Plus, on completion of next period of three (3) months	0.09
Plus, on completion of each of next three (3) periods of three (3) months	0.08
Plus, on completion of next period of three (3) months	0.09
Plus, on completion of each of next three (3) periods of three (3) months	0.08

By their signatures below, the Company and the Participant agree that the Option and the Units that may be acquired upon the exercise of the Option are governed by this Grant Notice, by the provisions of the Plan and the Option Agreement, and by the Operating Agreement, all of which are attached to and made a part of this document. The Participant acknowledges receipt of copies of the Plan, the Option Agreement and the Operating Agreement, represents that the Participant has read and is familiar with their provisions, and hereby accepts the Option subject to all of their terms and conditions.

MAGNACHIP SEMICONDUCTOR LLC

By: /s/ Sang Park

Its: CEO & Chairman

Address: 891 Daechi-dong,
Gangnam-gu Seoul, Korea 135-738

PARTICIPANT

/s/ John McFarland
Signature

12/18/09
Date

891 Daechi-dong,
Address
Gangnam-gu Seoul, Korea 135-738

ATTACHMENTS: 2009 Common Unit Plan, as amended to the Date of Grant; Option Agreement and Exercise Notice; and Operating Agreement

MAGNACHIP SEMICONDUCTOR LLC
NOTICE OF GRANT OF RESTRICTED UNITS
[Non-US Participants]

The Participant has been granted an award (the ***"Award")*** of certain Common Units (the ***"Units***") of MagnaChip Semiconductor LLC pursuant to the MagnaChip Semiconductor LLC 2009 Common Unit Plan (the ***"Plan"),*** as follows:

Participant:	John McFarland
Date of Grant:	December 8, 2009
Total Number of Units:	336,000, subject to adjustment as provided by the Restricted Unit Agreement.
Fair Market Per Unit on Date of Grant:	US $0.74
Initial Vesting Date:	The Date of Grant
Local Law:	The laws, rules and regulations of *[Name of Country]*, of which the Participant is a resident.
Vested Units:	Except as provided in the Restricted Unit Agreement and provided the Participant's Service has not terminated prior to the applicable date, the number of Vested Units (disregarding any resulting fractional Unit) as of any date is determined by multiplying the Total Number of Units by the cumulative "***Vested Ratio"*** (not to exceed 1.0) determined as of such date as follows:

	Vested Ratio
Prior to Initial Vesting Date	0.0
On Initial Vesting Date	0.34
Plus, on completion of next period of one (1) year	0.33
Plus, on completion of next period of one (1) year	0.33

By their signatures below, the Company and the Participant agree that the Award is governed by this Grant Notice, by the provisions of the Plan and Restricted Unit Agreement, and by the Operating Agreement, all of which are attached to and made a part of this document. The Participant acknowledges receipt of copies of the Plan, the Restricted Unit Agreement and the Operating Agreement, represents that the Participant has read and is familiar with their provisions, and hereby accepts the Award subject to all of their terms and conditions.

MAGNACHIP SEMICONDUCTOR LLC

By: /s/ Sang Park

Its: CEO & Chairman

Address: 891 Daechi-dong,
Gangnam-gu Seoul, Korea 135-738

PARTICIPANT

/s/ John McFarland
Signature

12/18/2009
Date

Address

ATTACHMENTS: 2009 Common Unit Plan, as amended to the Date of Grant; Restricted Unit Agreement; Assignment Separate from Certificate; and Operating Agreement

SENIOR ADVISOR AGREEMENT

THIS SENIOR ADVISOR AGREEMENT (the "Agreement") is entered into as [April 10**,** 2009] (the "Effective Date"), by and between MagnaChip Semiconductor, Ltd., a Korean limited liability company (the "Company"), and Robert Krakauer, an individual ("Advisor").

BACKGROUND

A. Advisor is a director of the Company, MagnaChip Semiconductor LLC, the parent entity of the Company ("MagnaChip LLC"), and several other affiliated entities of the Company, and is the President and Chief Financial Officer of MagnaChip LLC and the Company pursuant to that certain Amended and Restated Service Agreement dated as of May 8, 2008, by and between the Advisor and the Company (the "Service Agreement").

B. Advisor desires to resign as a director of the Company, MagnaChip LLC, and the affiliates, and resign as President and Chief Financial Officer of MagnaChip LLC and the Company and become, and the Company accepts such resignation and desires to retain Advisor as, a senior advisor to the Company to provide and render certain services on the terms and conditions specified below.

C. The parties hereto now desire to enter into this Agreement to amend and supersede the Service Agreement in its entirety and set forth the terms and conditions of the Company's engagement of Advisor as a senior advisor to the Company.

NOW, THEREFORE, in consideration of the mutual promises and agreements herein contained, and for other good and valuable consideration, intending to be legally bound, the parties hereto do hereby agree as follows:

TERMS

1. Resignation; Amendment of Service Agreement. Advisor hereby resigns from all director and officer (or equivalent) positions (including any membership in any committee of directors or the like) with the Company and its affiliates, effective as of the Effective Date. In accordance with Section 6(d) of the Service Agreement, the parties agree that the Service Agreement is hereby amended and superseded in its entirety by this Agreement.

2. Scope of Services.

(a) Subject to the terms and conditions hereinafter provided, the Company engages Advisor to provide such services as the Company shall reasonably request, such services to include,without limitation:

(i) Assisting the officers of the Company with effecting the sale and debt restructuring of the Company and its affiliates; and

(ii) consulting with and advising the Chief Executive Officer of the Company.

(b) During the Term (as defined below), Advisor shall be available as needed to perform Advisor's duties pursuant to this Agreement and as mutually agreed between Company and Advisor. Both parties hereto agree that Advisor's duties under this Agreement will be limited in nature, and both parties hereto agree to schedule the duties in good faith with regard to the needs and requirements of the other. Advisor shall perform Advisor's services at a location or locations mutually agreed upon by the parties hereto. During the Term, Advisor shall adhere to such policies of the Company applicable to the conduct of senior executive officers as may be in effect from time to time. The Company acknowledges and agrees that Advisor has accepted employment with, and during the Term will be employed by, another employer that Advisor will separately identify to the Company. The Company consents to such

employment provided that the other employer has consented to the arrangement set forth in this Agreement. Advisor will promptly notify the Company in writing of any changes of employer during the Term, and Advisor will procure that such new employer consents to the arrangement set forth in this Agreement.

(c) At all times during the Term and thereafter, Advisor will assist the Company in the performance of its duties hereunder by providing promptly providing such assistance and documentation, including governance documents, contracts, tax forms and receipts, as are reasonably requested by the Company.

3. Compensation.

(a) Subject to the terms and conditions of this Agreement, the Company shall pay and provide the following compensation and other benefits to Advisor as consideration for Advisor's performance under this Agreement:

(i) Salary. Advisor shall receive a salary at the rate of US$375,000.00 per annum (the "Salary") during the Term, payable to Advisor on a monthly basis in accordance with the standard payroll practices of the Company as are in effect from time to time for senior executive officers, less all such deductions or withholdings required by applicable law. The Salary amount expressly includes any severance benefit due under Korean law. Advisor agrees that upon termination of this Agreement for any reason, no severance under law or otherwise will accrue to Advisor.

(ii) Benefits. Advisor shall be entitled to the continuation of the following Company-paid benefits and perquisites for Advisor and Advisor's eligible dependents: (x) continuation of existing health insurance benefits until the earlier of the expiration of the Term or the date on which Advisor becomes eligible to participate in a new employer's medical plan; (y) the continuation of the $7,034.30 monthly lease payment and sales/use taxes for Advisor's personal car until the maturity of such lease in May 2009, and the continuation of the $1,989.85 monthly lease payment and sales/use taxes for the personal car of Advisor's spouse until the maturity of such lease in August 2009, provided that upon request of Advisor and approval of the respective lessor, Company will transfer either or both car leases to Advisor, provided, further, that in no event will Company pay any lease transfer fee,termination fee, return fee, mileage penalty, repurchase fee, or other fees associated with lease transfer, maturity, or termination for the lease of either car; and (z) reimbursement of tax preparation expenses for the tax year 2009 up to a maximum amount of $5,000.

(iii) Expenses. During the Term, the Company shall reimburse Advisor for all reasonable and itemized out-of-pocket expenses incurred by Advisor in rendering services hereunder upon submission of appropriate documentation or receipts in accordance with the policies and procedures of the Company as are in effect from time to time.

(b) The Company acknowledges that Advisor has accrued certain unused vacation days under the Company's vacation policy for executives. The Company further acknowledges that Advisor voluntarily accepted a base salary reduction of 10 to 20% of Advisor's base salary during the December 2008 through March 2009 Company pay periods. In addition to the consideration payable pursuant to Section 3(a) above, the Company agrees to pay to Advisor upon the execution of this Agreement, less any applicable taxes or other withholdings as required by law, (i) such accrued vacation amount; (ii) the equivalent of the difference between Advisor's base monthly salary under the Service Agreement and the salary paid to Advisor during each of the December 2008 through March 2009 pay periods; and (iii) a lump-sum housing stipend payment equivalent to the aggregate amount of Advisor's monthly housing stipend from the Effective Date through June 30, 2009.

(c) The Company acknowledges that Advisor is eligible for a tax equalization benefit applying to all salary, bonuses, and certain other benefits earned by Advisor in the tax year 2008 while Advisor served in Korea. Company agrees that this benefit shall survive the termination of the Service

Agreement to the extent that any documentation or payments are not concluded on the Effective Date, Company will reimburse Advisor for reasonable federal or any other tax return preparation expenses on a basis consistent with past practice for the tax year 2008, but not the tax year 2009 (except as set forth in Section 3(a)(ii)(z) above) or any following years.

(d) Notwithstanding anything to the contrary in the Service Agreement or any other agreement executed between Advisor and the Company or any of its affiliates, Advisor shall not be entitled to any salary, incentive, performance bonus, accelerated vesting or other compensation, benefits, or perquisites of any kind whatsoever from the Company or any of its affiliates in connection with Advisor's resignation under the Service Agreement and appointment as senior advisor, the termination or expiration of this Agreement or otherwise, except as expressly set forth in this Section 3. Except as set forth in this Section 3, Advisor's participation in all other benefits and incidents of employment cease on the Effective Date. Advisor ceases accruing employee benefits, including but not limited to severance, incentives, vacation time and paid time off, as of the Effective Date. Advisor acknowledges and represents that the Company has paid all salary, wages, bonuses, annual incentives, accrued vacation and paid time off, commissions, expense reimbursements, severance or separation benefits, and any and all other benefits due to Advisor as of the Effective Date. Advisor represents and warrants that Advisor never suffered an on-the-job or occupational injury or incurred any wage, overtime or leave claims while working at the Company.

4. Equity Interests.

(a) Pursuant to the terms of the MagnaChip Semiconductor LLC Equity Incentive Plan ("Plan"), the Option Agreements effective as of November 30,2004, executed by and between Advisor and MagnaChip LLC, and the Restricted Unit Subscription Agreements effective as of November 30, 2004, executed by and between Advisor and MagnaChip LLC (the "RUSAs"), under which MagnaChip LLC granted to Advisor options to purchase common units of MagnaChip LLC and Advisor exercised the options and received restricted common units of MagnaChip LLC (the "Restricted Units"), as of the Effective Date: (i) the Restricted Period (as defined in the RUSAs) has lapsed as to all of the Restricted Units, and (ii) MagnaChip LLC waives its right pursuant to Article 4 of the RUSAs to repurchase any of the Restricted Units. The Restricted Units remain subject to all other restrictions in the RUS As and other agreements required to be executed pursuant to the RUSAs.

(b) Pursuant to the terms of the Plan and the Option Agreement effective as of March 9, 2006, executed by and between Advisor and MagnaChip LLC, under which MagnaChip LLC granted to Advisor options to purchase common units of MagnaChip LLC (the "IPO Option"), as of the Effective Date: (i) Advisor's IPO Option fully terminates without vesting, (ii) Advisor has and shall have no right to exercise all or any portion of the IPO Option, and (iii) Advisor does not have and shall not have any rights under the IPO Option to purchase units or shares of MagnaChip LLC or any of its affiliates or successors.

(c) Advisor does not have and shall not have any rights or entitlements to purchase units or shares of MagnaChip LLC or any of its affiliates or successors.

5. Term and Termination.

(a) This Agreement shall be effective as of the Effective Date and, unless sooner terminated pursuant to the terms hereof, shall continue until [April 10, 2010] (the "Term").

(b) This Agreement may be terminated by the Company for Cause at any time, effective immediately upon notice to Advisor. For purposes of this Agreement, "Cause" shall mean (i) Advisor's breach of this Agreement that, if susceptible to cure, has not been cured as determined by the Company within 10 days after a written demand for cure is delivered to Advisor by the Company; (ii) Advisor's gross negligence, intentional misconduct or fraud in the performance of Advisor's duties hereunder; (iii) Advisor's plea of nolo contendre or guilty to, or conviction of, any felony or any crime involving

misappropriation, embezzlement, fraud, dishonesty or the like; or (iv) a judicial determination that Advisor committed fraud or dishonesty against any natural person, firm, partnership, limited liability company, association, corporation, company, trust, business trust, governmental authority or other entity ("Person").

(c) Following any termination or expiration of this Agreement for any reason, all obligations of the Company under this Agreement (other than any obligations with respect to the payment of accrued and unpaid Salary and expense reimbursement under Section 3 through the date of termination or expiration, subject to Section 11) shall terminate and Advisor shall not be entitled to any compensation or benefits, including without limitation any Salary or Annual Incentive payments, from the Company or any of its affiliates hereunder or otherwise. Notwithstanding the expiration or termination of this Agreement for any reason, Sections 1 and 4 through 12 shall survive such expiration or termination.

6. Waiver and Release. In consideration of the items set forth in Sections 3(a)(ii)(y), 3(a)(ii)(z), 3(b)(ii), and 3(b)(iii) above, and other benefits provided to Advisor hereunder, Advisor hereby agrees to the following:

(a) Except for a claim based on a breach of this Agreement by the Company, Advisor, for Advisor and on behalf of Advisor's heirs, executors, administrators, legal representatives, assignees and successors in interest (in such capacity, the "Releasing Party"), hereby irrevocably and unconditionally settles, waives, releases, remises, acquits and discharges any and all claims, demands, actions or causes of action, known or unknown, which the Releasing Parties may have or could claim against the Company and each of its affiliates, parents, subsidiaries, successors, assigns, and predecessors, and all of their respective employees, agents, officers and directors, and all Persons acting by, through, under or in conceit with any of them or that might be claimed to be jointly or severally liable with them (collectively, the "Company Released Parties") and the Releasing Party covenants not to sue or bring any action or proceeding against the Company Released Parties with respect to such claims, demands, actions or causes of action. The Releasing Party recognizes that it is giving up all claims, demands, actions and causes of action, which it now may have, whether known or unknown, and whether specifically mentioned or not. The Releasing Party specifically waives any claim or right to assert that any cause of action or alleged cause of action or claim has been, through oversight or error, intentionally or unintentionally omitted from this Agreement. The Releasing Party waives any right to seek reinstatement or re-employment with the Company or any of its affiliates.

(b) The Releasing Party expressly acknowledges and agrees that the payments set forth in this Agreement constitute consideration for the settlement, waiver, release and discharge of and covenant not to sue with respect to any and all claims or actions arising from Advisor's employment, or the terms and conditions of Advisor's employment, including claims arising under express or implied contract, tort, public policy, common law or any national, state or local statute, ordinance, regulation, rule, order or constitutional provision.

(c) The Releasing Party acknowledges that this Agreement is being entered into as a settlement and compromise of any claims and is not to be construed in any manner as an admission of any liability on the part of the Company or any Company Released Party.

(d) The Releasing Party acknowledges that the only consideration for signing this Agreement and all that the Releasing Party is ever to receive from the Company or its affiliates are the terms expressly stated herein, and that no other promises or agreements of any kind have been made to or with the Releasing Party by any Person whatsoever to cause Advisor to sign this Agreement.

(e) Advisor acknowledges that it has read and fully understands all of the provisions of this Agreement and is entering into this Agreement freely and voluntarily. Advisor has been and is hereby advised to consult with an attorney prior to signing.

(f) Advisor represents that Advisor is not aware of any claim by Advisor other than the claims that are released by this Agreement. Advisor acknowledges that Advisor has had the opportunity to be advised by legal counsel and is familiar with the provisions of California Civil Code Section 1542, which provides as follows; A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN ADVISOR'S FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY ADVISOR MUST HAVE MATERIALLY AFFECTED ADVISOR'S SETTLEMENT WITH THE DEBTOR. Advisor, being aware of said code section, agrees to expressly waive any rights Advisor may have thereunder, as well as under any other statute or common law principles of similar effect.

(g) Advisor agrees to execute a release of claims substantially in the form as set forth in this Section 6 upon the conclusion of the Term or the termination of this Agreement for any reason.

7. Non-Compete. Without the Company's prior written consent, during the Term, Advisor shall not, directly or indirectly, own any interest in, operate, join, control or participate as a partner, director, principal, officer, manager, or agent of, enter into any employment of, act as a consultant or advisor to, or perform any services for, any business which at any time during such period is in competition with any material business in which the Company, or any of its affiliates, has taken substantial steps to engage or is engaged at any time during such period, anywhere in the world. This provision shall not be construed to prohibit the ownership by Advisor of less than 2% of any class of securities of any corporation, so long as Advisor remains a passive investor in such entity.

8. Non-Solicitation. Without the Company's prior written consent, during the Term, Advisor shall not, directly or indirectly, for Advisor's own account or for the account of any other Person (i) solicit, interfere with, or attempt to entice away from the Company or any of its affiliates, or any successor to any of the foregoing, any individual who is or has agreed to be employed or retained by the Company or any of its affiliates or any successor to any of the foregoing; or (ii) solicit or attempt to solicit the trade of any Person which, at the time of such solicitation, is a significant customer of the Company or any of its affiliates, or any successor to any of the foregoing, or which the Company or any of its affiliates, or any successor to any of the foregoing, is undertaking reasonable steps to procure as a customer.

9. Non-Disparagement. Advisor agrees that, at all times during the Term and thereafter, Advisor shall not make, or cause or assist any other Person to make, any statement or other communication which impugns or attacks, or is otherwise critical of, the reputation, business or character of any of the Company Released Parties or any of their respective products or services. The foregoing restrictions shall not apply to any statements that are made truthfully in response to a subpoena or other compulsory legal process.

10. Non-Disclosure.

(a) Advisor acknowledges that Advisor has had, and may during the Term have, access to confidential or proprietary information or both relating to the business of, or belonging to, the Company or any of its affiliates or third parties including, but not limited to, proprietary or confidential information, technical data, trade secrets, or know-how in respect of research, product plans, products, services, customer lists, customers, markets, computer software (including object code and source code), data and databases, outcomes research, documentation, instructional material, developments, inventions, processes, formulas, technology, designs, drawings, engineering, hardware, configuration information, models, manufacturing processes, sales information, cost information, business plans, business opportunities, marketing, finances or other business information disclosed to Advisor in any manner including by drawings or observations of parts or equipment, etc. (collectively, "Confidential Information"), all of which have substantial value to the Company, its affiliates or such third parties.

(b) Advisor agrees that, at all times during the Term and thereafter, except as authorized by the Company in writing, Advisor shall: (i) not use any Confidential Information except, during the

Term, in furtherance of Advisor's duties hereunder; (ii) not disclose any Confidential Information to any other Person, except to personnel of the Company utilizing it in the course of their employment by the Company or to Persons identified to Advisor in writing by the Company; and (iii) respect and adhere to any non-disclosure, confidentiality or similar agreements to which the Company or any of its affiliates are, or during the Term become, a party or subject.

(c) Advisor hereby confirms that all Confidential Information and "Company Materials" (as hereinafter defined) are and shall remain the exclusive property of the Company. Immediately upon the termination or expiration of this Agreement, or during the Term upon the request of the Company, Advisor shall return all Company Materials, or any reproduction of such materials, apparatus, equipment and other physical property. For purposes of this Agreement, "Company Materials" are documents or other media or tangible items that contain or embody Confidential Information or any other information concerning the business, operations or plans of the Company, whether such documents have been prepared by Advisor or others.

(d) Advisor hereby agrees not to disclose to the Company, and not to induce the Company to utilize, any proprietary information or trade secrets of any other party that are in Advisor's possession, unless and to the extent that Advisor has authority to do so.

11. Severability and Equitable Relief. The provisions of this Agreement, including without limitation Sections 6 through 10, are separate and independent provisions, and the invalidity or unenforceability of one or more of these provisions or covenants shall not affect the validity or enforceability of the remaining provisions or of the other covenants of this Agreement. Advisor hereby acknowledges that Advisor has carefully reviewed the provisions of this Agreement, including without limitation Sections 6 through 10, and agrees that the provisions are fair and equitable. However, if any one or more of the provisions of this Agreement is determined by a court of competent jurisdiction to be invalid, void or unenforceable under circumstances then existing, the parties hereto agree that the maximum period, scope or geographical area reasonable or enforceable under such circumstances shall be substituted for the stated period, scope or area. Advisor agrees that the Company would suffer irreparable injury if Advisor were to breach any of the provisions of Sections 6 through 10, and that in the event of such violation, the Company shall (in addition to all other rights and remedies available to it) be entitled to an injunction restraining Advisor from such breach, specific performance of Sections 6 through 10 and/or other equitable relief, without the necessity of proving the inadequacy of any legal remedy or posting any bond or other security.

12. Miscellaneous.

(a) Advisory Relationship.

(i) Advisor shall be considered a part-time temporary employee of the Company. Advisor shall not be an agent of the Company or any of its affiliates and shall have no power to bind or to otherwise obligate the Company or any of its affiliates in any manner whatsoever, nor shall Advisor be authorized to enter into agreements or any other contractual relationships on behalf of the Company or any of its affiliates, without the prior written consent of the Company.

(ii) Advisor acknowledges, and agrees, that Advisor will not be entitled to participate in, or accrue any benefit under, any employee benefit plan of the Company or any of its affiliates, on account of the services rendered pursuant to this Agreement (except, during the Term, as expressly set forth in Section 3(a)(ii) above).

(b) Tax Withholding. All amounts paid to Advisor hereunder shall be subject to all applicable tax withholding as required by law.

(c) Notices. Any notice hereunder by either party to the other shall be given in writing by personal delivery, or certified mail, return receipt requested, or (if to the Company) by telex or facsimile, in any case delivered to the applicable address set forth below:

To the Company:	MagnaChip Semiconductor, Ltd. 891 Daechi-dong, Gangnam-Gu Seoul 135-738 Korea Facsimile No: 82-2-6903-3898 Attn: General Counsel
To the Officer:	at the last known residential address.

or to such other Persons or other addresses as either party may specify to the other by notice.

(d) Assignment; Assumption of Agreement This Agreement shall be binding upon and inure to the benefit of (i) the heirs, executors, and legal representatives of Advisor upon Advisor's death, and (ii) any successor of the Company. Any such successor of the Company shall be deemed substituted for the Company under the terms of this Agreement for all purposes. For this purpose, "successor" means (i) any Person which at any time, whether by purchase, merger, or otherwise, directly or indirectly acquires all or substantially all of the assets or business of the Company or (ii) any corporation or business entity which is an affiliate of the Company and which expressly assumes the Company's obligations hereunder in writing. None of the rights of Advisor to receive any form of compensation payable pursuant to this Agreement may be assigned or transferred except by will or the laws of descent and distribution. Any other attempted assignment, delegation, transfer, conveyance, or other disposition of Advisor's rights or obligations under this Agreement shall be null and void.

(e) Amendment. No provision of this Agreement may be amended, modified, waived or discharged unless such amendment, modification, waiver or discharge is agreed to in writing and signed by the parties. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of any similar or dissimilar provision or condition at the same or at any prior or subsequent time.

(f) Severability. If any term or provision of this Agreement or the application thereof to any Person or circumstance shall, to any extent, be held invalid or unenforceable by a court of competent jurisdiction, the remainder of this Agreement or the application of any such term or provision to Persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law. If any of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to duration, scope, activity or subject, it shall be construed by limiting and reducing it, so as to be valid and enforceable to the extent compatible with the applicable law or the determination by a court of competent jurisdiction,

(g) GOVERNING LAW, VENUE AND JURISDICTION. THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE, UNITED STATES OF AMERICA, WITHOUT GIVING EFFECT TO ANY PRINCIPLES OR RULES OF CONFLICT OF LAWS TO THE EXTENT SUCH PRINCIPLES OR RULES WOULD REQUIRE OR PERMIT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION. THE PARTIES HEREBY IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS LOCATED IN THE STATE OF DELAWARE IN ANY PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, AGREE NOT TO COMMENCE ANY SUIT, ACTION OR PROCEEDING RELATING THERETO EXCEPT IN SUCH COURTS, WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO MOVE TO DISMISS OR

TRANSFER ANY SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH COURT ON THE BASIS OF ANY OBJECTION TO PERSONAL JURISDICTION, VENUE OR INCONVENIENT FORUM AND WAIVE THE RIGHT TO TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING WITH RESPECT TO ANY MATTER WHATSOEVER RELATING TO OR ARISING OUT OF THIS AGREEMENT AND CONSENT TO SERVICE OF PROCESS BY MAIL OR ANY OTHER MANNER PERMITTED BY SUCH COURTS.

(h) Remedies Cumulative; Set Off. Any and all remedies herein expressly conferred upon a party will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by law or equity, upon such party, and the exercise by a party of any one remedy will not preclude the exercise of any other remedy. The Company may set off any amount which is or may subsequently become due or payable by it or any of its affiliates to Advisor in terms of this Agreement or otherwise, against any amount which is or may subsequently become due or payable to the Company by Advisor, in terms of this Agreement or otherwise.

(i) Entire Agreement. This Agreement constitutes the entire agreement of Advisor, the Company and any predecessors or affiliates thereof with respect to the subject matter hereof and replaces and supersedes as of the Effective Date any and all prior oral or written agreements, understandings or arrangements between such Persons, including, without limitation, the Service Agreement and the Subscription Agreements.

(j) Headings and Interpretive Issues. The headings preceding the text of the sections and subsections hereof are inserted solely for convenience of reference, and shall not constitute a part of this Agreement or affect its meaning, construction or effect. In the event any ambiguity or question of interpretation or intent arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement. For purposes of interpretation or resolving ambiguities, this Agreement, as executed in English, will prevail over any translation. Capitalized terms used but not defined herein shall have the meaning attributed to them in the Service Agreement.

(k) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be considered one and the same agreement and each of which shall be deemed an original. Delivery of an executed counterpart of a signature page to this Agreement by electronic means, such as facsimile or portable document format, shall be as effective as delivery of a manually executed counterpart of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

MAGNACHIP SEMICONDUCTOR, LTD.:

By: /s/Sang Park
Sang Park
Chairman and Chief Executive Officer

ADVISOR:

/s/Robert Krakauer
Robert Krakauer

Exhibit 10.49

INDEMNIFICATION AGREEMENT

This Agreement entered into and effective this _____ day of _____, 20__, (the "Agreement"), by and between MagnaChip Semiconductor Corporation, a Delaware corporation (the "Company.") and _____ (the "Indemnitee").

RECITALS

WHEREAS, it is essential to the Company that it be able to retain and attract as directors to serve on its Board of Directors (the "Board") and officers, the most capable persons available;

WHEREAS, the Company desires to provide Indemnitee with specific contractual assurance of Indemnitee's rights to full indemnification and advancement of Expenses (as defined below) against litigation risks and Expenses (regardless, among other things, of any amendment to or revocation of the Certificate (as defined below) or Bylaws (as defined below) or any change in the ownership of the Company or the composition of the Board);

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance Expenses on behalf of, such persons to the fullest extent permitted under applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified;

WHEREAS, the Company's Certificate of Incorporation (the "Certificate") and Bylaws (the "Bylaws") require it to indemnify its directors and officers and permit it to make other indemnification arrangements and agreements;

WHEREAS, this Agreement is a supplement to and in furtherance of the Certificate and the Bylaws and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder;

WHEREAS, both the Company and the Indemnitee recognize the increased risk of litigation and other claims being asserted against directors and officers of companies in today's environment; [and]

WHEREAS, Indemnitee does not regard the protection available under the Certificate and the Bylaws and insurance as adequate in the present circumstances, and may not be willing to serve as a director without adequate protection, and the Company desires Indemnitee to serve in such capacity. Indemnitee is willing to serve, continue to serve and to take on additional service for or on behalf of the Company on the condition that he be so indemnified; [and]

[WHEREAS, Indemnitee has certain rights to indemnification and/or insurance provided by the Other Indemnitors (as defined below), which Indemnitee and the Other Indemnitors intend to be secondary to the primary obligation of the Company to indemnify Indemnitee as provided herein, with the Company's acknowledgement and agreement to the foregoing being a material condition to Indemnitee's willingness to serve on the Board.]

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the mutual sufficiency of which is hereby acknowledged, the Company and Indemnitee hereby agree as follows:

ARTICLE I

DEFINITIONS

1.1 Certain Definitions. Capitalized terms used and not otherwise defined herein shall have the meanings given to them below:

"Affiliate" means, in relation to an Entity (a) such Entity's general partner, manager and investment manager and affiliates thereof; (b) any entity with the same general partner, manager or investment manager as such Entity or a general partner, manager or investment manager affiliated with such general partner, manager or investment manager of such Entity; and (c) any other Entity that directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the first Entity, the general partner of such Entity, investment manager of such Entity or an affiliate of such Entity, general partner or investment manager. The term "control" (including the terms "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a person, whether through the ownership of voting securities, by contract or credit arrangement, as trustee or executor, or otherwise.

"Disinterested Director" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by the Indemnitee.

"Entity" means any corporation, partnership, limited liability company, joint venture, trust, foundation, association, organization or other legal entity.

"Expenses" means all fees, costs and expenses incurred by Indemnitee in connection with any Proceeding (as defined below), including, without limitation, reasonable attorneys' fees, disbursements and retainers (including, without limitation, any such fees, disbursements and retainers incurred by Indemnitee pursuant to Articles VI and VII of this Agreement), fees and disbursements of expert witnesses, private investigators and professional advisors (including, without limitation, accountants and investment bankers), court costs, transcript costs, fees of experts, travel expenses, duplicating, printing and binding costs, telephone and fax transmission charges, postage, delivery services, secretarial services, and other disbursements and expenses. Expenses also shall include Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersede as bond, or other appeal bond or its equivalent. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

"Independent Legal Counsel" means an attorney or firm of attorneys who is experienced in matters of corporate law and who shall not have otherwise performed services for the Company or Indemnitee or any other party to the particular claim within the last five years (other than with respect to serving as Independent Legal Counsel with respect to matters concerning the

rights of Indemnitee under this Agreement, or of other indemnitees under similar indemnity agreements).

"Liabilities" means judgments, damages, liabilities, losses, penalties (whether civil, criminal or otherwise), foreign, federal, state and local taxes (including taxes payable by Indemnitee as a result of the actual or deemed receipt of payments under this Agreement), fines (including excise taxes and penalties assessed with respect to employee benefit plans) and amounts paid in settlement and all interest, assessments and other charges paid or payable in connection with or in respect of any of the foregoing.

["Other Indemnitors" means (a) any employer of an Indemnitee; (b) any Entity in which an Indemnitee is a partner, member or equity holder; (c) any Entity for whom an Indemnitee is serving as a director of the Company at the request of such Entity; (d) any insurer of an Other Indemnitor, and in each such case, the Indemnitee has certain rights to indemnification and/or insurance provided by such Entity in connection with their service as a director of the Company.]

"Proceeding" means any threatened, pending or completed claim, action, suit, arbitration, alternate dispute resolution process, investigation (whether instituted by the Company or any governmental agency or any other party), administrative hearing, appeal, or any other proceeding, whether civil, criminal, administrative, arbitrative or investigative, whether formal or informal, including a proceeding initiated by Indemnitee pursuant to Article VI of this Agreement to enforce Indemnitee's rights hereunder.

"Status" describes the status of a person who is serving, has served or may be deemed to have served (i) as a director, member, manager, partner, tax matters partner, trustee, fiduciary, controlling person, officer, employee, or agent of the Company or any Subsidiary of the Company, (ii) in any capacity with respect to any employee benefit plan of the Company, or (iii) as a director, manager, partner, trustee, fiduciary, controlling person, officer, employee, or agent of, or in any other capacity with, any other Entity at the request of the Company.

"Subsidiary" means any corporation, partnership, limited liability company, joint venture, trust or other Entity of which the Company owns (either directly or through or together with another Subsidiary of the Company) either (i) a general partner, managing member or similar interest of such Entity or (ii) (A) 50% or more of the voting power of the voting capital stock or other voting equity interests of such corporation, partnership, limited liability company, joint venture or other Entity, or (B) 50% or more of the outstanding voting capital stock or other voting equity interests of such corporation, partnership, limited liability company, joint venture or other Entity.

ARTICLE II
SERVICES OF INDEMNITEE

2.1 Services of Indemnitee. In consideration of the Company's covenants and commitments hereunder, Indemnitee agrees to serve or continue to serve as a director [or officer] of the Company, so long as the Indemnitee is duly elected or appointed and until such time as the Indemnitee is removed, terminated, or tenders a resignation.

ARTICLE III
AGREEMENT TO INDEMNIFY

3.1 General.

(a) To the fullest extent permitted by Delaware law in effect on the date hereof and as amended from time to time, the Company shall indemnify, defend and hold harmless the Indemnitee from any Liabilities and Expenses incurred by the Indemnitee in connection with any Proceeding to which Indemnitee is a party (or is threatened to be made a party) or is otherwise involved (including as a witness) by reason of (or arising in whole or in part out of) (a) Indemnitee's Status or (b) any act performed or omitted to be performed by the Indemnitee in connection with such Status, in each case whether the event or occurrence to which such Proceeding relates (if any) occurred or was omitted before, on, or after the date of this Agreement (collectively, "Indemnifiable Amounts"); provided, however, that no change in Delaware law shall have the effect of reducing the benefits available to the Indemnitee hereunder based on Delaware law as in effect on the date hereof or as such benefits may improve as a result of amendments after the date hereof.

(b) Notwithstanding the foregoing, the indemnification obligations of the Company under Section 3.1(a) above shall be subject to the condition that it shall not have been determined in accordance with Section 3.1(c) below that Indemnitee would not be permitted to be indemnified under applicable law; provided, however, that if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that he or she should be indemnified under applicable law, any determination made by the Reviewing Party (as defined below) that Indemnitee would not be permitted to be indemnified under applicable law shall not be binding until a final judicial determination is made (as to which all rights of appeal therefrom have been exhausted or lapsed) that Indemnitee is not entitled to be so indemnified under applicable law. Any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and the Indemnitee. For purposes of this Agreement, a "Reviewing Party" shall mean (i) if so requested in writing by the Indemnitee, Independent Legal Counsel, selected by the Company and approved by the Indemnitee (which approval shall not be unreasonably withheld, conditioned or delayed), whose determination shall be given in a written opinion to the Board; or (ii) (A) a majority of the Disinterested Directors, even though less than a quorum of the Board, or (B) a committee of Disinterested Directors designated by majority vote of the Disinterested Directors, even though less than a quorum of the Board, (C) if there are no such Disinterested Directors or, if such Disinterested Directors so direct, Independent Legal Counsel, selected by the Company and approved by the Indemnitee (which approval shall not be unreasonably withheld, conditioned or delayed), whose determination shall be given in a written opinion to the Board, or (D) the Company's stockholders in accordance with applicable law. The Company agrees to pay the reasonable fees and expenses of any Independent Legal Counsel.

(c) The Reviewing Party shall determine whether or not the Indemnitee would be permitted to be indemnified under applicable law. If the Reviewing Party shall not have made a determination within sixty (60) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification absent (i) a misstatement by

Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the Reviewing Party in good faith requires such additional time to obtain or evaluate documentation and/or information relating thereto. Notice in writing of any determination as to the Indemnitee's entitlement to indemnification shall be delivered to the Indemnitee promptly after such determination is made, and if such determination of entitlement to indemnification has been made by Independent Legal Counsel in a written opinion to the Board, then such notice shall be accompanied by a copy of such written opinion. If the Reviewing Party determines that Indemnitee would not be permitted to be indemnified in whole or in part under applicable law, Indemnitee shall have the right to commence litigation in any court in the State of Delaware having subject matter jurisdiction thereof and in which venue is proper seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and the Company hereby consents to service of process and to appear in any such proceeding.

(d) To the extent that the Indemnitee has been successful on the merits or otherwise in defense of any or all Proceedings, or in defense of any claim, issue, or matter therein, to which Indemnitee is a party (or is threatened to be made a party) or is otherwise involved by reason of (or arising out of) (i) Indemnitee's Status or (ii) any act performed or omitted to be performed by the Indemnitee in connection with such Status, in each case, whether the event or occurrence to which such Proceeding relates occurred or was omitted before, on, or after the date of this Agreement, the Indemnitee shall be indemnified against all Indemnifiable Amounts actually and reasonably incurred in connection therewith, notwithstanding any determination by the Reviewing Party that the Indemnitee is not entitled to indemnification under applicable law. For purposes of this Agreement, the termination of any claim, issue, or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue, or matter.

3.2 Indemnification for Additional Expenses. To the fullest extent permissible under applicable law, the Company shall indemnify, or cause the indemnification of, the Indemnitee against any and all Expenses and, if requested by the Indemnitee, shall advance such Expenses to the Indemnitee subject to and in accordance with Article V, which are incurred by or on behalf of the Indemnitee in connection with any action (i) brought by the Indemnitee for indemnification or an Expense Advance by the Company under this Agreement or provision of the Certificate or Bylaws now or hereafter in effect, (ii) brought by the Company against Indemnitee seeking to recover any advances of Expenses, and/or (iii) brought by the Indemnitee for recovery under any directors' and officers' liability insurance policies maintained by the Company.

3.3 Insurance. The Company shall pay for standard director and officer liability insurance covering liability of the Indemnitee for performance of his or her duties in such amounts, and with the scope of such coverage, to be customary for a Company of like size with similar operations. If, at the time of the receipt by the Company of a notice of a claim from Indemnitee pursuant to this Agreement, the Company has liability insurance in effect which may cover such claim, the Company shall use commercially reasonable efforts to provide prompt written notice of the commencement of such claim to such insurers in accordance with the

procedures set forth in each of such policies. The Company shall thereafter use commercially reasonable efforts to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such claim in accordance with the terms of such policies.

3.4 Indemnification for Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that the Indemnitee is required to be a witness by reason of Indemnitee's Status in any Proceeding to which the Indemnitee is not a party, he or she shall be indemnified against all Expenses actually incurred by him or her or on his or her behalf in connection therewith.

3.5 Conclusive Presumption Regarding Standard of Care. In making any determination required to be made under law with respect to entitlement to indemnification hereunder, the person, persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence.

3.6 Procedure for Payment of Indemnifiable Amounts. Indemnitee shall submit to the Company a written request specifying the Indemnifiable Amounts for which Indemnitee seeks payment under this Article III or Article IV of this Agreement and the basis for the claim. If it is determined that the Indemnitee is entitled to indemnification, then payment to the Indemnitee of all amounts to which the Indemnitee is determined to be entitled shall be made within twenty (20) calendar days after such determination. If it is determined that the Indemnitee is not entitled to indemnification, then the written notice to the Indemnitee (or, if such determination has been made by Independent Legal Counsel in a written opinion, the copy of such written opinion delivered to the Indemnitee) shall disclose the basis upon which such determination is based. At the request of the Company, Indemnitee shall furnish such documentation and information as are reasonably available to Indemnitee and reasonably necessary to evaluate whether the Indemnitee is entitled to indemnification hereunder. Notwithstanding the foregoing, the failure or delay in providing such request and other information shall not affect Indemnitee's right to indemnification or advancement of Expenses hereunder unless, and only to the extent that, the Company is materially prejudiced thereby.

3.7 Reliance as Safe Harbor. Without limiting the remaining provisions of this Agreement, to the fullest extent permissible under applicable law, the Indemnitee shall be entitled to indemnification for any action or omission to act undertaken (a) in good faith reliance upon the records of the Company, including its financial statements, or upon information, opinions, reports or statements furnished to the Indemnitee by the officers or employees of the Company or any of its Subsidiaries in the course of their duties, or by committees of the Board or by any other person or Entity as to matters the Indemnitee reasonably believes are within such other person's or Entity's professional or expert competence, or (b) on behalf of the Company in furtherance of the interests of the Company in good faith in reliance upon, and in accordance with, the advice of legal counsel or accountants, provided such legal counsel or accountants were selected with reasonable care by or on behalf of the Company. In addition, the knowledge and/or actions, or failures to act, of any director, officer, agent or employee of the Company shall not be imputed to the Indemnitee for purposes of determining the right to indemnity hereunder.

3.8 Change in Law. To the extent that a change in law (whether by statute or judicial decision) shall permit broader indemnification or advancement of Expenses than is provided under the terms of the Certificate, the Bylaws and this Agreement, Indemnitee shall be entitled to such broader indemnification and advancements, and this Agreement shall be deemed to be amended to such extent.

3.9 Effect of Certain Resolutions. Neither the settlement or termination of any Proceeding nor the failure of the Company to award indemnification or to determine that indemnification is payable shall create a presumption that Indemnitee is not entitled to indemnification hereunder or did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law. In addition, the termination of any proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not create a presumption that Indemnitee is not entitled to indemnification hereunder or did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law.

ARTICLE IV
PARTIAL INDEMNIFICATION

4.1 Contribution.

(a) Without diminishing Indemnitee's rights under Article III hereof, and whether or not the indemnification provided in Article III hereof is available, in respect of any Proceeding in which the Company is jointly liable with the Indemnitee (or would be if joined in such Proceeding), the Company shall (without duplication of amounts paid by the Company under Article III), to the fullest extent permissible under applicable law, pay, or cause to be paid, in the first instance, the entire amount of any judgment or settlement of such Proceedings equal to the amount of Expenses and Liabilities actually incurred and paid or payable by the Indemnitee in proportion to the relative benefits received by the Company and all officers, directors or employees of the Company, other than the Indemnitee, who are jointly liable with the Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and the Indemnitee, on the other hand. The Company shall not enter into any settlement of any Proceedings in which the Company is jointly liable with the Indemnitee (or would be if joined in such Proceeding) unless such settlement provides for a full and final release of all claims asserted against the Indemnitee.

(b) Without diminishing or impairing the obligations of the Company set forth in the preceding subparagraph or Article III hereof, if, for any reason, the Indemnitee shall elect or be required to pay all or any portion of any judgment or settlement in any Proceeding in which the Company is jointly liable with the Indemnitee (or would be if joined in such Proceeding), the Company shall (without duplication with amounts paid the Company under Article III), to the fullest extent permissible under applicable law, contribute, or cause to be contributed, to the amount of Expenses and Liabilities actually and reasonably incurred and paid or payable by the Indemnitee in proportion to the relative benefits received by the Company and all officers, directors or employees of the Company, other than the Indemnitee, who are jointly liable with the Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and

the Indemnitee, on the other hand, from the transaction from which such action, suit or proceeding arose; provided, however, that the proportion determined on the basis of relative benefit may, to the extent necessary to conform to law, be further adjusted by reference to the relative fault of the Company and all officers, directors or employees of the Company, other than the Indemnitee, who are jointly liable with the Indemnitee (or would be if joined in such Proceeding), on the one hand, and the Indemnitee, on the other hand, in connection with the events that resulted in such Expenses and Liabilities, as well as any other equitable considerations which the law may require to be considered.

(c) To the fullest extent permissible under applicable law, the Company hereby agrees to fully indemnify and hold the Indemnitee harmless from any claims for contribution which may be brought by reason of the Indemnitee's Status by officers, directors or employees of the Company, other than the Indemnitee, who may be jointly liable with the Company.

(d) To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to the Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying the Indemnitee, shall contribute to the amount incurred by the Indemnitee, whether for Liabilities and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding as determined in a final non-appealable judgment reached by a court of competent jurisdiction in order to reflect (i) the relative benefits received by the Company and the Indemnitee as a result of the event(s) and/or transactions(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and the Indemnitee in connection with such event(s) and/or transactions(s).

ARTICLE V
ADVANCEMENT OF EXPENSES

5.1 Agreement to Advance Expenses; Undertaking. Subject to Section 3.2 hereof, the Company shall advance all Expenses incurred by or on behalf of Indemnitee in connection with any Proceeding to which Indemnitee is a party (or is threatened to be made a party) or in which Indemnitee is otherwise involved (including as a witness) by reason of (or arising in whole or in part out of) such Indemnitee's Status or an act performed or omitted to be performed by such Indemnitee in connection with such Status, in each case whether the event of occurrence that gave rise to such Proceeding (if any) occurred or was omitted before, on, or after the date of this Agreement (an "Expense Advance"), within twenty (20) days after the receipt by the Company of a written statement from Indemnitee requesting such advance or advances from time to time.

5.2 Procedure for Advance Payment of Expenses. Indemnitee shall submit to the Company a written request specifying the Expenses for which Indemnitee seeks an advancement under this Article V, together with documentation evidencing that Indemnitee has incurred or expects to incur such Expenses. Payment of Expenses, if indemnifiable, under this Article V shall be made no later than twenty (20) days after the Company's receipt of such request. Notwithstanding the foregoing, the failure or delay in providing such request or other information shall not affect Indemnitee's right to indemnification or advancement of Expenses hereunder unless, and then only to the extent that, the Company is materially prejudiced thereby.

Indemnitee hereby undertakes to repay any Expense Advance if it shall ultimately be determined by final judicial decision (as to which all rights of appeal therefrom have been exhausted or lapsed) that the Indemnitee is not entitled to be indemnified under applicable law, this Agreement, or otherwise. Indemnitee's obligation to reimburse the Company for any Expense Advance shall be unsecured and no interest shall be charged thereon.

ARTICLE VI
REMEDIES OF INDEMNITEE

6.1 Right to Petition Court. In the event that Indemnitee makes a request for payment of Indemnifiable Amounts under Article III above or a request for an advancement of Expenses under Article V above and the Company fails to make such payment or advancement in a timely manner pursuant to the terms of this Agreement, without limitation as to remedy, Indemnitee may petition any court in any court in the State of Delaware having subject matter jurisdiction thereof and in which venue is proper to enforce the Company's obligations under this Agreement.

6.2 Indemnitee as Plaintiff. Except as provided in Section 3.2 and in the next sentence, Indemnitee shall not be entitled to payment of Indemnifiable Amounts or advancement of Expenses with respect to any Proceeding brought by Indemnitee against the Company, any Entity it controls, or any manager, director, or officer thereof, unless the Company has consented to the initiation of such Proceeding. This Section shall not apply to (a) affirmative defenses asserted by Indemnitee or any counterclaims by Indemnitee which are resolved successfully in an action brought against Indemnitee or (b) a Proceeding instituted by Indemnitee to enforce or interpret this Agreement.

ARTICLE VII
DEFENSE OF THE UNDERLYING PROCEEDING

7.1 Notice by Indemnitee. Indemnitee agrees to notify the Company promptly upon being served with any summons, citation, subpoena, complaint, indictment, information, or other document relating to any Proceeding which may result in the payment of Indemnifiable Amounts or the advancement of Expenses hereunder; provided, however, that the failure to give any such notice shall not disqualify Indemnitee from the right, or otherwise affect in any manner any right of Indemnitee, to receive payments of Indemnifiable Amounts or advancements of Expenses unless, and then only to the extent of, the Company's ability to defend in such Proceeding is materially prejudiced thereby.

7.2 Defense by Company. Subject to the provisions of the last sentence of this Section 7.2 and of Section 7.3 below, the Company shall have the right to defend Indemnitee in any Proceeding for which the Company becomes obligated hereunder to pay the Indemnitee's Expenses with counsel reasonably satisfactory to the Indemnitee; provided, however that the Company shall notify Indemnitee of any such decision to defend within ten (10) calendar days of receipt of notice of any such Proceeding under Section 7.1 above. The Company shall not, without the prior written consent of Indemnitee, consent to the entry of any judgment against Indemnitee or enter into any settlement or compromise which (a) includes an admission of fault of Indemnitee, (b) does not include, as an unconditional term thereof, the full release of

Indemnitee from all liability in respect of such Proceeding, which release shall be in form and substance reasonably satisfactory to Indemnitee or (c) does not solely involve the payment of money. The Company shall not be liable to the Indemnitee under this Agreement for any amounts paid in settlement of any Proceeding relating to an indemnifiable event effected without the Company's prior written consent. Neither the Company nor the Indemnitee shall unreasonably withhold its or his or her consent to any proposed settlement or compromise; provided that the Indemnitee may withhold consent to any settlement that does not satisfy the clauses (a), (b) and (c) set forth in this Section 7.2. This Section 7.2 shall not apply to a Proceeding brought by Indemnitee under Section 3.2 or Section 6.2 above.

7.3 Indemnitee's Right to Counsel. Notwithstanding the provisions of Section 7.2 above, if, in a Proceeding to which Indemnitee is a party (or threatened to be made a party) or is otherwise involved (including as a witness) by reason of (or arising in whole or in part out of) (i) Indemnitee's Status or (ii) any act performed or omitted to be performed by the Indemnitee in connection with such Status, in each case whether the event or occurrence to which such Proceeding relates occurred or was omitted before, on, or after the date of this Agreement, (a) Indemnitee reasonably concludes that he or she may have separate defenses or counterclaims to assert with respect to any issue which may not be consistent with the position of other defendants in such Proceeding, (b) Indemnitee reasonably concludes that a conflict of interest or potential conflict of interest exists between Indemnitee and the Company, or (c) if the Company fails to assume the defense of such proceeding in a timely manner, Indemnitee shall be entitled to be represented by separate legal counsel of Indemnitee's choice at the expense of the Company. In addition, if the Company fails to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to declare this Agreement void or unenforceable, or institutes any action, suit or proceeding to deny or to recover from Indemnitee the benefits intended to be provided to Indemnitee hereunder, Indemnitee shall have the right to retain counsel of Indemnitee's choice, at the expense of the Company, to represent Indemnitee in connection with any such matter.

ARTICLE VIII
MISCELLANEOUS

8.1 Non-Exclusivity; Survival of Rights; Primacy of Indemnification; Subrogation.

(a) The right to payment of Indemnifiable Amounts and advancement of Expenses provided by this Agreement shall be in addition to, but not exclusive of, any other rights to which Indemnitee may at any time be entitled under applicable law, the Certificate, the Bylaws, any agreement, a vote of stockholders, a resolution of the Board or otherwise, of the Company. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Status prior to such amendment, alteration or repeal. To the extent that a change in the Delaware law, whether by statute or judicial decision, permits greater indemnification than would be afforded currently under the Certificate of Incorporation, By-laws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or

hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) [The Company hereby acknowledges that Indemnitee has certain rights to indemnification, advancement of Expenses and/or insurance provided by the Other Indemnitors. The Company hereby agrees that (i) the Company is the indemnitor of first resort (i.e., its obligations to Indemnitee are primary and any obligation of the Other Indemnitors to advance Expenses or to pay Indemnifiable Amounts are secondary), (ii) that the Company shall be required to advance the full amount of Expenses incurred by Indemnitee and shall be liable to indemnify the Indemnitee for the full amount of all Indemnifiable Amounts, in each case to the extent legally permitted and as required by the terms of this Agreement, the Bylaws and the Certificate (or any other agreement between the Company and Indemnitee), without regard to any rights Indemnitee may have against the Other Indemnitors, and, (iii) that the Company irrevocably waives, relinquishes and releases the Other Indemnitors from any and all claims against the Other Indemnitors for contribution, subrogation or any other recovery of any kind in respect thereof in connection with any such indemnification or advance of Expenses to Indemnitee. The Company further agrees that no advancement or payment by the Other Indemnitors on behalf of Indemnitee with respect to any claim for which Indemnitee has sought indemnification from the Company shall affect the foregoing and the Other Indemnitors shall have a right of contribution and/or be subrogated to the extent of such advancement or payment to all of the rights of recovery of Indemnitee against the Company, who shall execute all papers reasonably required and shall do all things that may be reasonably necessary to secure such rights, including the execution of such documents as may be necessary to enable such Other Indemnitors to effectively bring suit to enforce such rights. The Company and Indemnitee agree that the Other Indemnitors are express third party beneficiaries of the terms of this Section 8.1(b) and are entitled to enforce this Section 8.1(b) against the Company as though each such Other Indemnitor were a party to this Agreement.]

(c) [Except as provided in paragraph (b) above,] in the event of any payment of Indemnifiable Amounts or Expenses under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee [(other than against the Other Indemnitors)] against other persons, and Indemnitee shall take, at the request of the Company, commercially reasonable action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(d) [Except as provided in paragraph (b) above,] the Company shall not be liable under this Agreement to make any payment of Indemnifiable Amounts hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

(e) [Except as provided in paragraph (b) above,] the Company's obligation to indemnify or advance Expenses hereunder to Indemnitee who is or was serving at the request of the Company as a director, officer, employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise shall be reduced by any amount Indemnitee has actually received as indemnification or advancement of Expenses from such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise.

8.2 Notices. All notices, requests and other communications provided for or permitted to be given under this Agreement must be in writing and shall be given by personal delivery, by a nationally recognized overnight delivery service for next day delivery, by facsimile transmission or by email, as follows (or to such other address as any party may give in a notice given in accordance with the provisions hereof):

If to the Company:

MagnaChip Semiconductor Corporation
c/o MagnaChip Semiconductor Ltd.
891 Daechi-dong, Gangnam-gu
Seoul 135-738 Korea
Attn: General Counsel
Fax: 82-2-6903-3898

If to the Indemnitee, to the address, facsimile number or email address set forth on the signature page hereto.

8.3 Entire Agreement. This Agreement contains the entire understanding of the parties in respect of the subject matter hereof and supersedes all prior agreements and understandings (oral or written) between or among the parties with respect to such subject matter; provided, however, it is agreed that the provisions contained in this Agreement are a supplement to, and not a substitute for, any provisions regarding the same subject matter contained in the Certificate, the Bylaws and any employments or similar agreement between the parties.

8.4 Amendment; Waiver. This Agreement may not be modified, amended, supplemented, canceled or discharged, except by written instrument executed by the Company and Indemnitee. No failure to exercise, and no delay in exercising, any right, power or privilege under this Agreement shall operate as a waiver, nor shall any single or partial exercise of any right, power or privilege hereunder preclude the exercise of any other right, power or privilege. No waiver of any breach of any provision shall be deemed to be a waiver of any preceding or succeeding breach of the same or any other provision, nor shall any waiver be implied from any course of dealing among the parties. No extension of time for performance of any obligations or other acts hereunder or under any other agreement shall be deemed to be an extension of the time for performance of any other obligations or any other acts.

8.5 Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto, their respective heirs, successors and assigns. [Except as set forth in Section 8.1,] nothing expressed or implied herein shall be construed to give any person other than the Company or an assignee or designee of the Company any legal or equitable rights hereunder. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation, or otherwise) to all or a substantial portion of the business and/or assets of the Company and/or its Subsidiaries, by written agreement in form and substance satisfactory to the Indemnitee and his or her counsel, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. This Agreement shall continue in

effect regardless of whether the Indemnitee continues to serve as an officer and/or director of the Company or in any other Status. Neither this Agreement nor any duties or responsibilities pursuant hereto may be assigned by the Company to any other person or Entity without the prior written consent of the Indemnitee.

8.6 Counterparts. This Agreement may be executed in any number of counterparts, each of which will be deemed an original but all of which together will constitute one and the same instrument. This Agreement will become effective when one or more counterparts have been signed by each of the parties and delivered to the other party.

8.7 Interpretation. When a reference is made in this Agreement to an article, section, paragraph, clause, schedule or exhibit, such reference shall be deemed to be to this Agreement unless otherwise indicated. The headings contained herein are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation."

8.8 Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to any choice of law principles.

8.9 Jurisdiction and Waiver of Jury Trial.

(a) ANY SUIT, ACTION OR PROCEEDING AGAINST ANY PARTY ARISING OUT OF, OR WITH RESPECT TO, THIS AGREEMENT OR ANY JUDGMENT ENTERED BY ANY COURT IN RESPECT THEREOF SHALL BE BROUGHT EXCLUSIVELY IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE AND THE PARTIES HERETO ACCEPT THE EXCLUSIVE JURISDICTION OF SUCH COURT FOR THE PURPOSE OF ANY SUIT, ACTION OR PROCEEDING.

(b) IN ADDITION, EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY JUDGMENT ENTERED BY ANY COURT IN RESPECT THEREOF BROUGHT IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE AND HEREBY FURTHER IRREVOCABLY WAIVES ANY CLAIM THAT ANY SUIT, ACTION OR PROCEEDINGS BROUGHT IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(c) EACH PARTY ACKNOWLEDGES THAT ANY DISPUTE THAT MAY ARISE OUT OF OR RELATING TO THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE SUCH PARTY HEREBY EXPRESSLY WAIVES ITS RIGHT TO JURY TRIAL OF ANY DISPUTE BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OTHER AGREEMENTS RELATING HERETO OR ANY DEALINGS AMONG THEM RELATING TO THE TRANSACTIONS CONTEMPLATED HEREBY. THE SCOPE OF THIS WAIVER IS INTENDED TO

ENCOMPASS ANY AND ALL ACTIONS, SUITS AND PROCEEDINGS THAT RELATE TO THE SUBJECT MATTER OF THE TRANSACTIONS CONTEMPLATED HEREBY, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. EACH PARTY REPRESENTS THAT (i) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT IN THE EVENT OF ANY ACTION, SUIT OR PROCEEDING, SEEK TO ENFORCE THE FOREGOING WAIVER, (ii) SUCH PARTY UNDERSTANDS AND WITH THE ADVICE OF COUNSEL HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (iii) SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (iv) SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND REPRESENTATIONS IN THIS SECTION 8.9(c).

8.10 Arm's Length Negotiations; Drafting. Each party herein expressly represents and warrants to all other parties hereto that before executing this Agreement, said party has fully informed itself of the terms, contents, conditions and effects of this Agreement; said party has relied solely and completely upon its own judgment in executing this Agreement; said party has had the opportunity to seek and has obtained the advice of counsel before executing this Agreement; said party has acted voluntarily and of its own free will in executing this Agreement; said party is not acting under duress, whether economic or physical, in executing this Agreement; and this Agreement are the result of arm's length negotiations conducted by and among the parties and their respective counsel. This Agreement shall be deemed drafted jointly by the parties and nothing shall be construed against one party or another as the drafting party.

8.11 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law. In the event that any provision of this Agreement shall be determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a period of time or too large a geographic area or over too great a range of activities, it shall be interpreted to extend only over the maximum lesser period of time, geographic area, or range of activities as to which it may be enforceable. Each of the covenants herein shall be deemed a separate and severable covenant. It is the desire and intent of the parties that the provisions of this Agreement shall be enforced to the fullest extent permissible under applicable law. Accordingly, a court of competent jurisdiction is directed to modify any provision to the extent necessary to render such provision enforceable.

8.12 Specific Performance, Etc. The parties recognize that if any provision of this Agreement is violated by the Company, the Indemnitee may be without an adequate remedy at law. Accordingly, in the event of any such violation, the Indemnitee shall be entitled, if the Indemnitee so elects, to institute proceedings, either in law or at equity, to obtain damages, to enforce specific performance, to enjoin such violation, or to obtain any relief or any combination of the foregoing as the Indemnitee may elect to pursue.

8.13 Survival. This Agreement shall continue in force for the benefit of the Indemnitee and such heirs, personal representatives, executors and administrators after Indemnitee has ceased to have Status. All agreements and obligations of the Company contained herein shall continue during the period Indemnitee has any Status and shall continue thereafter so long as

Indemnitee shall be subject or potentially subject to any Proceeding (or any proceeding commenced under Article VI hereof) by reason of (or arising in whole or in part out of) (i) Indemnitee's Status or (ii) any act performed or omitted to be performed by the Indemnitee in connection with such Status, in each case whether the event or occurrence to which such Proceeding relates occurred or was omitted before, on, or after the date of this Agreement, and whether or not Indemnitee is acting or serving in any such capacity at the time any liability or expense is incurred for which indemnification can be provided under this Agreement. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve in any Status.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

MAGNACHIP SEMICONDUCTOR CORPORATION

By: _____
Name:
Title:

INDEMNITEE

_____

Address:
Facsimile:
E-mail:

Exhibit 21.1

Subsidiaries of the Registrant

Subsidiary	Jurisdiction of Incorporation
MagnaChip Semiconductor S.A.	Luxembourg
MagnaChip Semiconductor B.V.	The Netherlands
MagnaChip Semiconductor, Ltd.	Korea
MagnaChip Semiconductor, Inc.	California
MagnaChip Semiconductor SA Holdings LLC	Delaware
MagnaChip Semiconductor Finance Company	Delaware
MagnaChip Semiconductor Limited	United Kingdom
MagnaChip Semiconductor Limited	Taiwan
MagnaChip Semiconductor Limited	Hong Kong SAR
MagnaChip Semiconductor Inc.	Japan
MagnaChip Semiconductor Holding Company Limited	British Virgin Islands
MagnaChip Semiconductor (Shanghai) Company Limited	China

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Registration Statement on Form S-1 of our reports dated March 13, 2010 relating to the consolidated financial statements of MagnaChip Semiconductor LLC and subsidiaries, which appear in such Registration Statement. We also consent to the reference to us under the heading “Experts” in such Registration Statement.

/s/ Samil PricewaterhouseCoopers

Seoul, Korea
March 14, 2010